Geberit Group 2014

Integrated
Annual Report

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GEBERIT

Busi-
ness
Report

Geberit Group 2014

PDF Version

Highlights business year

Gala evenings for partners

Since being launched on the market 50 years ago, over 60 million concealed cisterns have been installed. Geberit thanked its wholesalers and sanitary partners for helping the company achieve this impressive feat by inviting them to a stylish gala evening.

9,374 Geberit fans

Straight from the building site to the new products party: Fresh sausage salad from a cement mixer, sizzling hamburgers from a wheelbarrow, cool beer from a construction bucket – and all eyes on the latest innovations from Geberit. Geberit's "Building site rocks" events have proven a great success.

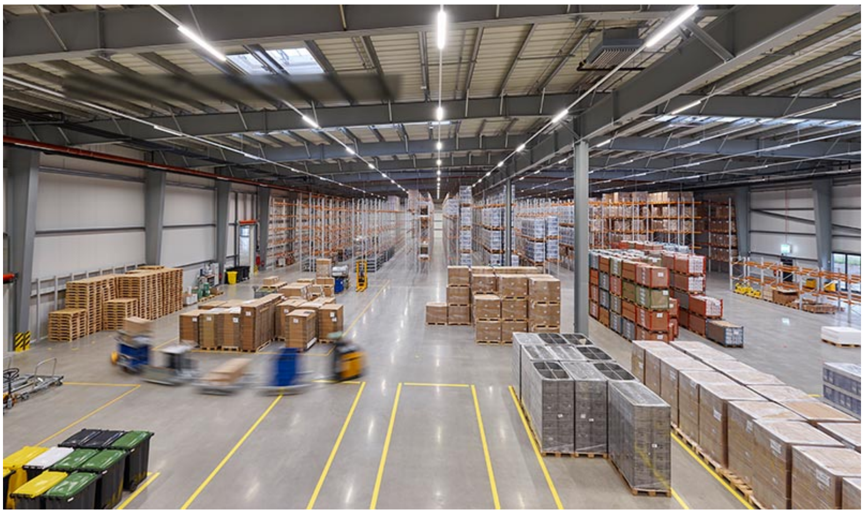
The multi-talent

The Monolith Plus sanitary module has it all – effective odor extraction directly from the WC ceramic appliance, an energy-saving LED orientation light in a range of different colors and soft-touch buttons for flushing. An innovation for new buildings and renovations alike.

Highlights business year

The perfect fit

Whether in front of window parapets, under roof pitches or in half-height drywalls – the Geberit Omega concealed cistern fits every time. What's more, the small, elegant actuator plates can be mounted on the top or front of the cistern.



A perfect new home

The new 21,000 m² plant in the Slovenian town of Ruše was ready to move into towards the end of 2014 following just under a year of construction. The production engineers were tasked with optimally designing the production and logistics processes and keeping energy consumption as low as possible.

13 memorable days

Geberit's annual social project saw eight apprentices travel to the northern Indian city of Varanasi, where they spent two weeks renovating the toilet facilities of a school for physically disabled children. They came back home with some lasting memories.

Highlights business year

The hanging gardens

No, they are no longer in Babylon, but right in the heart of Singapore. The countless terraces, balustrades, gardens and water pools of the hotel Parkroyal on Pickering provide 15,000 m² of space for tropical flora and fauna to flourish. The building meets the highest sustainability standards – thanks in part to flush technology from Geberit.

Ensuring the dry dock stays dry

The Danish Maritime Museum in Helsingør is located in a disused dry dock. The original dimensions of the dock were left unchanged: an impressive 150 meters long, 21 meters wide and 8 meters deep. The roofs of the new museum buildings are drained using Geberit technology.

Highlights financial year

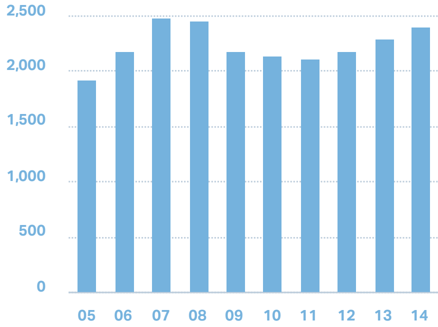
Sales

+6.4%

Currency-adjusted sales growth in 2014

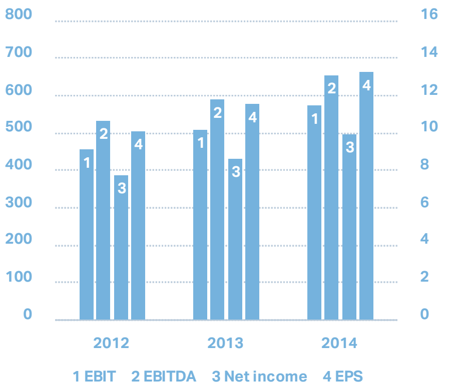
Sales development 2005 – 2014

(in CHF million)



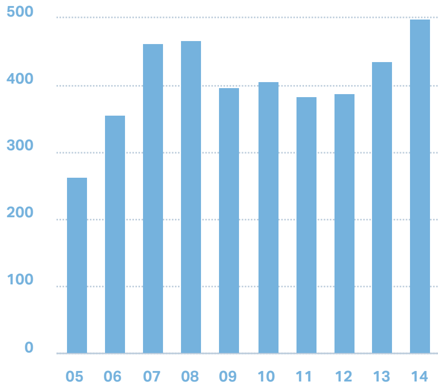
EBIT, EBITDA, Net income, Earnings per share (EPS) 2012 – 2014

(in CHF million) (EPS: in CHF)



Net income development 2005 – 2014

(in CHF million)



Operating cashflow margin (EBITDA margin)

27.3%

Above the mid-term target corridor of 23 to 25%

Free cashflow (in CHF)

460.4 Mio.

3.6% above prior year's level

Highlights financial year

Earnings per share
(in CHF)

13.28

+14.6% versus prior year

Payout ratio

62.7%

The payout ratio is in the upper range of the target corridor of 50 to 70%

Expenditures for property, plant and equipment
(in CHF)

104.8 Mio.

+6.9% versus prior year

R&D expenditures
(in CHF)

55.8 Mio.

+4.9 million versus prior year

Sales
(in CHF)

≈ 34 Mio.

negative currency effects

EBIT
(in CHF)

≈ 11 Mio.

negative currency effects

Geberit key figures

2010 – 2014

		2014	2013	2012[3]	2011	2010
Sales	**MCHF**	2,404.4	2,291.6	2,187.8	2,122.6	2,146.9
Change on previous year	%	+4.9	+4.7	+3.1	-1.1	-1.6
Revenue from sales	**MCHF**	2,089.1	1,999.9	1,919.6	1,867.6	1,900.0
Change on previous year	%	+4.5	+4.2	+2.8	-1.7	-1.6
Operating profit (EBIT)	**MCHF**	576.9	510.7	456.5	449.2	486.2
Margin in % of sales	%	24.0	22.3	20.9	21.2	22.6
Net income	**MCHF**	498.6	435.8	387.5	384.0	406.8
Margin in % of sales	%	20.7	19.0	17.7	18.1	18.9
Operating cashflow (EBITDA)	**MCHF**	657.1	592.8	536.6	532.0	573.7
Margin in % of sales	%	27.3	25.9	24.5	25.1	26.7
Free cashflow	**MCHF**	460.4	444.3	391.0	386.0	493.8
Margin in % of sales	%	19.1	19.4	17.9	18.2	23.0
Financial results, net	**MCHF**	-1.7	-5.5	-7.2	-7.3	-14.3
Capital expenditures	**MCHF**	104.8	98.0	86.0	92.6	80.5
Research and development expenses	**MCHF**	55.8	50.9	49.8	48.4	44.2
In % of sales	%	2.3	2.2	2.3	2.3	2.1
Earnings per share[1]	**CHF**	13.28	11.59	10.16	9.82	10.32
Earnings per share, adjusted[2]	CHF	13.28	11.59	10.16	9.82	10.32
Number of employees (31.12.)	**31.12.**	6,247	6,226	6,134	6,004	5,820
Annual average		6,303	6,219	6,150	5,992	5,793
Sales per employee	**TCHF**	381.5	368.5	355.7	354.2	370.6
Balance sheet		**31.12.2014**	**31.12.2013**	**31.12.2012**	**31.12.2011**	**31.12.2010**
Total assets	**MCHF**	2,431.5	2,226.0	2,007.4	2,122.7	2,171.2
Liquid funds and marketable securities	**MCHF**	749.7	612.8	423.1	542.0	586.6
Net working capital	**MCHF**	169.1	127.9	134.4	114.1	108.5
Property, plant and equipment	**MCHF**	550.9	536.4	521.2	516.2	514.3
Goodwill and intangible assets	**MCHF**	645.3	645.5	638.1	645.2	658.8
Total debt	**MCHF**	10.5	11.7	14.7	75.6	73.4
Equity	**MCHF**	1,717.1	1,664.1	1,431.3	1,419.5	1,520.9
Equity ratio	%	70.6	74.8	71.3	66.9	70.0
Gearing	%	-43.0	-36.1	-28.5	-32.9	-33.7

[1] Based on the 1:10 stock split implemented on May 8, 2007

[2] Adjusted for amortization of goodwill

[3] Restatement see → **Note 1** in the Annual Report 2013

Geberit key figures

2005 – 2009

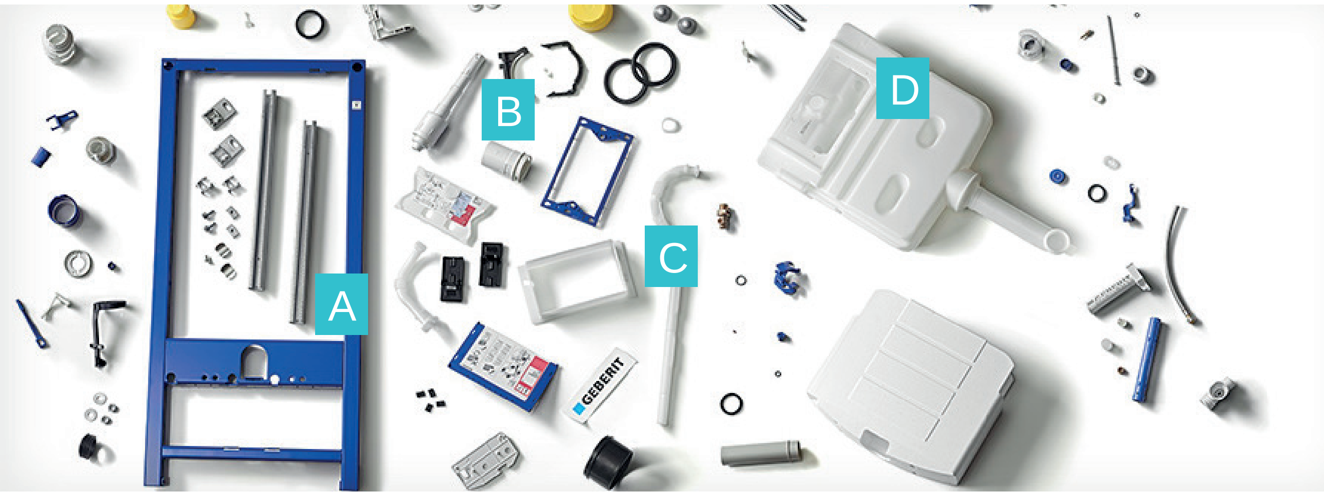
		2009	2008	2007	2006	2005
Sales	**MCHF**	2,181.2	2,455.1	2,486.8	2,183.5	1,922.9
Change on previous year	%	-11.2	-1.3	+13.9	+13.6	+0.8
Revenue from sales	**MCHF**	1,931.0	2,178.9	2,206.4	1,935.1	1,718.9
Change on previous year	%	-11.4	-1.2	+14.0	+12.6	-0.7
Operating profit (EBIT)	**MCHF**	526.7	563.4	553.8	482.2	366.9
Margin in % of sales	%	24.1	22.9	22.3	22.1	19.1
Net income	**MCHF**	397.5	466.3	463.3	355.0	262.5
Margin in % of sales	%	18.2	19.0	18.6	16.3	13.7
Operating cashflow (EBITDA)	**MCHF**	611.0	649.1	637.9	569.1	455.9
Margin in % of sales	%	28.0	26.4	25.7	26.1	23.7
Free cashflow	**MCHF**	349.7	407.9	362.7	355.5	290.2
Margin in % of sales	%	16.0	16.6	14.6	16.3	15.1
Financial results, net	**MCHF**	-13.5	5.4	-11.4	-16.3	-17.2
Capital expenditures	**MCHF**	106.4	152.5	103.5	81.3	79.5
Research and development expenses	**MCHF**	45.6	46.0	48.1	44.3	43.5
In % of sales	%	2.1	1.9	1.9	2.0	2.3
Earnings per share[1]	**CHF**	10.18	11.90	11.67	8.86	6.41
Earnings per share, adjusted[2]	**CHF**	10.18	11.90	11.67	8.86	6.47
Number of employees (31.12.)	**31.12.**	5,608	5,697	5,344	5,269	5,162
Annual average		5,634	5,684	5,360	5,199	5,237
Sales per employee	**TCHF**	387.1	431.9	464.0	420.0	367.2
Balance sheet		**31.12.2009**	**31.12.2008**	**31.12.2007**	**31.12.2006**	**31.12.2005**
Total assets	**MCHF**	2,212.2	2,054.1	2,298.3	2,010.7	1,946.6
Liquid funds and marketable securities	**MCHF**	406.5	302.6	450.1	182.4	180.0
Net working capital	**MCHF**	180.9	156.5	168.7	131.9	120.8
Property, plant and equipment	**MCHF**	576.2	555.5	529.3	533.9	528.3
Goodwill and intangible assets	**MCHF**	753.1	756.2	828.8	825.1	812.4
Total debt	**MCHF**	110.9	152.3	273.9	323.1	393.4
Equity	**MCHF**	1,509.2	1,311.9	1,404.4	1,065.9	958.0
Equity ratio	%	68.2	63.9	61.1	53.0	49.2
Gearing	%	-19.6	-11.5	-12.5	13.2	22.3

[1] Based on the 1:10 stock split implemented on May 8, 2007

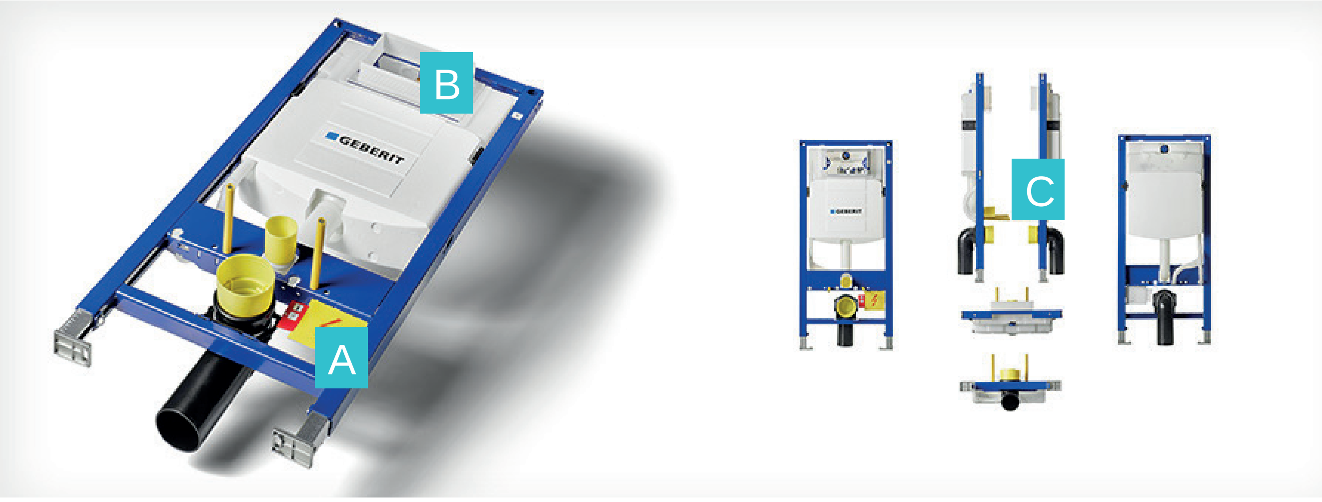
[2] Adjusted for amortization of goodwill

An icon of reliability

A) Quiet and dry	Insulation made of expanded polystyrene prevents condensation from forming and also has a sound-absorbing effect.
B) Once blue, always blue	The mounting frame has a robust powder coating. RAL 5002 is the name of the unmistakable ultramarine blue tone.
C) Stable and stainless	The Geberit installation elements for concealed cisterns feature solid feet made of corrosion-resistant die-cast zinc.
D) A sparkling clean start	During installation, yellow plugs made of low density polyethylene reliably protect the interior of the concealed cisterns from construction dust and foreign substances.



A) As strong as an ox	The welded mounting frame made of steel sections is designed so that a toilet mounted on it can bear a load of up to 400 kg – the equivalent of a Harley-Davidson motorcycle.
B) Built-in water savings	The valve for the tried-and-tested dual flush is designed to handle at least 200,000 flushes and is continuously subjected to extremely tough endurance tests.
C) Ready for an upgrade	If a Geberit AquaClean shower toilet is to be installed, the water supply line can be routed through this conduit pipe and thus remains hidden.
D) Seamless and leakproof	The tank is manufactured in one single step using the extrusion blow molding process and is completely seamless. Every cistern is tested to ensure that it is one hundred percent leakproof.



A) Power at the ready	Comfort functions such as odor extraction and touchless flush actuation require electricity. Geberit installation technology ensures that a connection is available.
B) Open to everyone	In crime movies, jewels and dollar bills are sometimes hidden behind this opening. However, it is actually intended for plumbers on the rare occasions when servicing is required.
C) Slim or slimmer	A standard Geberit concealed cistern is a slim 12 cm. For the Australian market, there is a 7.5 cm version that pushes the concept of slim to the limit.

In 1964, the owners of Geberit made a far-sighted decision and gave the green light for the mass production of the world's first WC cistern made of plastic for installation behind the wall – the concealed cistern was born. And this at a time where the world of sanitary technology was characterized by heavy lead, iron and copper pipes. Items made of plastic were still widely considered to be of inferior quality.

Plumbers were therefore somewhat hesitant in accepting the new cistern. Not so the architects and sanitary engineers! The idea of concealing the cistern and water supply lines behind the wall fitted in perfectly with their concept of modern living.

With well over 60 million units installed over the past 50 years, it would be fair to say that Geberit concealed cisterns have well and truly proven their quality and reliability. Plumbers know from experience that a Geberit cistern made of polyethylene is virtually indestructible, which is why concealed cisterns have become the standard in modern residential construction. As market leader, Geberit has a suitable model for virtually every construction situation.

As concealed cisterns are designed for a very long service life, Geberit guarantees the availability of spare parts for 25 years for all function-related components.

Enzo Ciafardini has been loyal to Geberit products from day one. Termoimpianti Ciafardini was founded in 1986 in Trivento (IT).

"We have been installing Geberit products including concealed cisterns for over 25 years, and we guarantee our customers that spare parts will still be available even years after installation. This represents major added value in terms of our work."

Manfred Scharpf has been installing concealed cisterns from Geberit since his apprenticeship 50 years ago. His son Daniel is now at the helm of the business in Esslingen (DE), which is currently in its third generation of family ownership.

"The concealed cistern was so well designed from the outset – there were no issues whatsoever."

"A leaky Geberit cistern is not something I have ever come across."

Georges Réganély is the owner and Managing Director of the plumbing company of the same name in Yverdon-les-Bains (CH).

"When I sell a Geberit concealed cistern, I know I am installing a quality product for my customer, which I trust completely."

The concealed cisterns that were to be replaced in the Hotel Eiger in the Swiss resort of Grindelwald were not broken – just old. Not far shy of their 50th birthday, the cisterns were replaced by new ones as part of comprehensive renovation work on the hotel rooms. The sanitary specialists were completely taken aback by the quality of the installations behind the wall.

Learning is a lifelong process

Away game

Geberit know-how is often passed on directly at our partners' premises.

In Switzerland 4,000 professionals were trained at around 600 events in workshops and offices.

Training facility

First-class visual demonstrations are provided at the Geberit information centers.

In Spain over 800 apprentices took part in 48 training courses in the information centers in Barcelona, Madrid and Bilbao – despite the crisis.

Knowledge exchange

Some topics are best discussed as part of an information event.

In Germany over 10,000 plumbers and sanitary engineers caught up on the latest developments at events that focused, among others, on sound insulation and fire protection issues.

On-site training

Concrete challenges require targeted lessons on the ground.

In the United Kingdom and Ireland over 2,000 people were instructed on-site, mostly on how to press Geberit pipes.

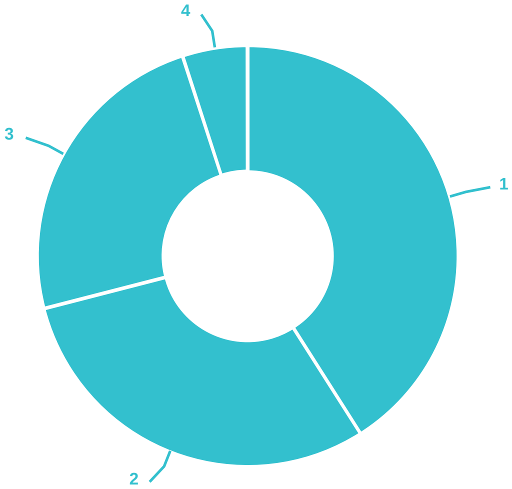
Anyone looking for proof of Geberit's market expertise need only look at the customer training courses. In 2014, over 100,000 professionals from various areas of the construction industry once again took advantage of the diverse training opportunities provided on a wide range of topics by numerous speakers and technical advisors.

The quick call to clarify unresolved issues or the spontaneous flying visit – this is the informal side of customer care that constitutes the lion's share of the work within the Geberit sales team. Dates dedicated explicitly to training round off the day-to-day business. Planned in good time and carefully prepared, these training dates are very much the icing on the cake for the partnerships on the sales front.

Thanks to the great scope for creativity, the training offered by Geberit is highly diverse, innovative and covers a wide range of topics. Presented here are just four of the common formats from the wide world of sales.

Regardless of where and with whom knowledge is shared, partnership is always written at Geberit with a capital "P".

Where are people trained?



1 At partners (41%)
2 At Geberit information centers (30%)
3 At information events (24%)
4 At construction sites (5%)

Concentrated know-how

Surprise, surprise

A technical function is truly intelligent when it seems to appear out of nowhere to show what it's made of. The Mera is packed to the brim with such functions.

Anita Peter, Development Engineer

Ingenious solution

The spray functionality has to be thorough, pleasant and economical. Our innovative shower spray combines these three apparently contradictory virtues in exemplary fashion.

Armin Gierer, Head of Product Line Geberit AquaClean

Warm from the get-go

Can you imagine having an immediate and constant supply of warm water at the right intensity? Our hybrid hot water system delivers the perfect result while even saving electricity.

Simon Bachmann, Development Engineer

Eureka!

How do we utilize the full energy of the water? By systematically using the basic principles of physics to our advantage – as can be seen inside the asymmetrical ceramic appliance.

Hansjörg Rohr, Head Product Development Appliances

Our masterpiece

We in sales are the first who need to be convinced by a new development. The Mera quickly won us over despite our initial reservations.

Martin Dörr, Head of Sales at Geberit AquaClean Germany

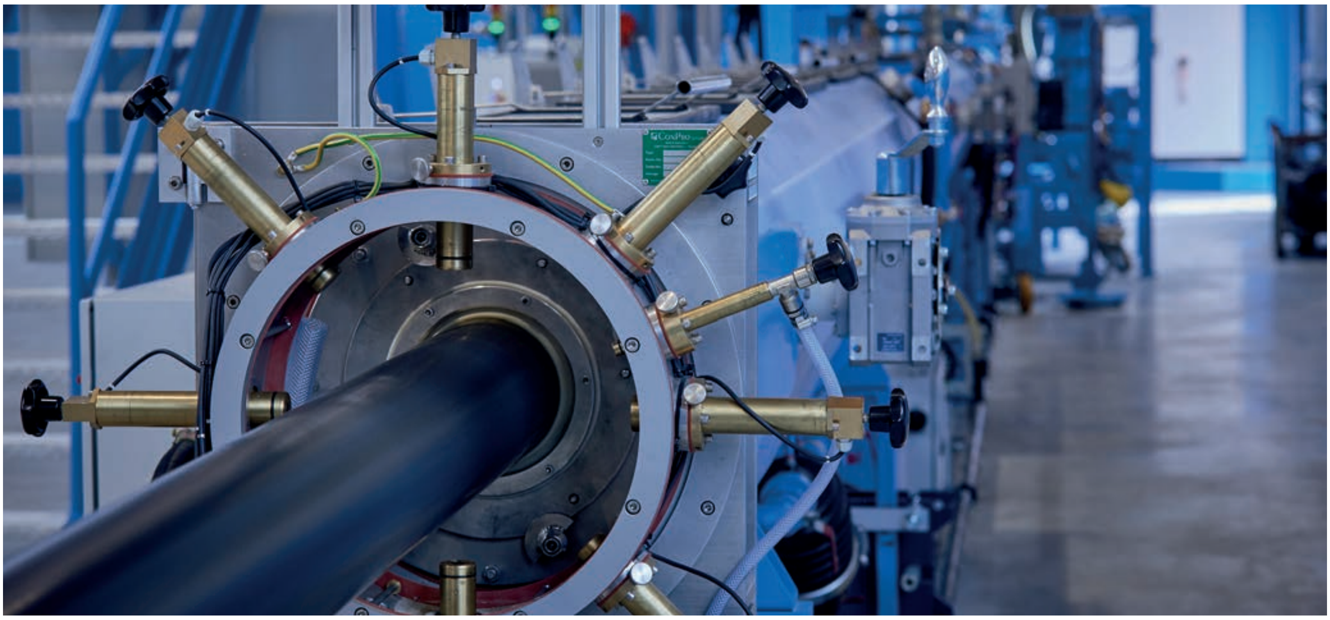
The Geberit AquaClean brand has become a byword for shower toilets in recent years. More and more people – particularly in the core European markets – swear by the gentle cleaning with water offered by the shower toilet. The ongoing cultural change seen in Western bathrooms is possible thanks to a product range that skillfully combines apparent contradictions: sophisticated comfort functions that do not compromise on design for one part, thorough cleanliness that does not negatively affect the environment for the other.

Design, comfort, cleanliness and ecological sustainability – these four key aspects also guided the latest project carried out by the developers at the Swiss headquarters. An interdisciplinary team of engineers, materials scientists, sanitary professionals and draftsmen was responsible for developing the top model – the AquaClean Mera. The results of their work – namely timeless elegance coupled with revolutionary comfort technology – can be seen and felt with every use.

The Geberit AquaClean Mera is a masterpiece in function and design.

The history behind the development of the Geberit AquaClean Mera is a perfect example of the successful cooperation between different disciplines.

Quality pipes – made in Europe



The Silent-PP piping system is experiencing high growth rates. The plant in Villadose (IT) was therefore expanded in 2014. With a new, fully automated production line, Geberit is setting new standards in pipe production.

The launch of Silent-PP in 2009 saw Geberit introduce its first plug-in and sound-absorbing piping system for building drainage. Within just five years, production capacities had to be expanded in order to meet the high demand for the Silent-PP pipes. In March 2014, an additional, modern production hall was opened in the Villadose plant in the north of Italy. This site – where Geberit's entire range of building drainage pipes is manufactured – is therefore well equipped for a further growth.

A new, state-of-the-art production line and a new outside storage area were put into operation in 2014, the latter of which greatly improves the efficiency of logistics processes. The integration of the Villadose site into Group logistics enables Geberit to supply its customers in international markets in a timely manner.

In a sector comparison, the Villadose plant performs excellently in the area of energy efficiency. The environmentally friendly cooling system installed in 2014 reduces energy consumption by 50%. The production and office buildings are heated primarily using the waste heat from the compressor units. State-of-the-art electric motors in the production lines also help to save energy. Furthermore, all scrap materials from production are recycled.

Efficient production

358
products

26,000
metric tons of pipes per year

24
hour production

340
days

Rainer Prügl is Managing Director of the Geberit production plant in Villadose (IT). In his interview, he explains the dynamic growth of the Villadose plant and how plastic pipes are being produced in a sustainable manner.

In the thick of it – Geberit apprentices in India

Varanasi in the northeast of India was the scene of Geberit's 2014 social project. At the end of October, eight apprentices, a technical manager and a supervisor traveled to the city with 1.2 million inhabitants for two weeks in order to renovate the sanitary facilities in the Kiran Village, a center for around 300 disabled children and young people.

The Kiran Village was founded in 1990 by a Swiss nun who recognized the enormous need for a facility for physically disabled children in the region. Today, some 60 children live in the Kiran Village, and around 300 travel to the village each day to attend the school there or complete an apprenticeship. The majority of the children and young people suffer from polio and need walking aids, which are manufactured in the village's own orthopedic workshop.

The Geberit team lived and worked in the Kiran Village for two weeks, which enabled them to experience everyday life in the village at first hand. By the end of the visit, the sanitary facilities had been renovated, with toilets for disabled persons now making the life of the villagers a whole lot easier.

"I cannot explain how India is. You have to experience it for yourself," explains Florian Pohl, apprentice industrial tool mechanic at Geberit in Jona (CH) – an enthusiastic participant in Geberit's 2014 social project and a further ambassador for a social commitment that Geberit has been proudly supporting for years.

India up close. During their assignment, the Geberit apprentices gained experiences that they will remember for the rest of their lives.

Worldwide social projects with Geberit apprentices

India 2014: Kiran Village, Varanasi
Romania 2013: Hospice Casa Sperantei, Bucharest
South Africa 2012: Fontein School, Port Elizabeth
Serbia 2011: Schools in Kraljevo
India 2010: Pentakatha School, Puri
Solomon Islands 2009: Island Guadalcanal
Ecuador 2008: Colegio Pomasqui, Quito

Anna Muzzetto, apprentice Mechatronics Engineer, Geberit Langenfeld (DE)

"Despite the different personalities involved, the work on the construction site was an example of teamwork at its very best. Our team was highly motivated and dedicated, and we maintained high spirits throughout."

Norbert Peuckmann (right), Technical Manager for the project in India and Sales Consultant at Geberit Pfullendorf (DE), and Parsuram Sahu, Geberit Delhi (IN)

"If anyone had asked me before the project what we wanted to achieve, I would have given a specific number of toilet facilities. Looking back today at what we have actually achieved, I can now see that we managed to bring people together and bring them joy."

Andre Jaschinski, apprentice Mechatronics Engineer, Geberit Pfullendorf (DE)

"Despite their disabilities and difficult living conditions, the faces of the children in the Kiran Village were a picture of happiness virtually the entire time."

Maria Friedrich, apprentice Industrial Clerk, Geberit Lichtenstein (DE)

"We walked to the Ganges with the children from the Kiran Village. Countless candles adorned the bank of the holy river in celebration of the festival of lights. It was an incredibly beautiful and magical moment."

An exemplary metal titan

Resembling a cut diamond, the new SwissTech Convention Center stands proudly at the north entrance to the Swiss Federal Institute of Technology in Lausanne (CH). Featuring a shiny metal roof with an expansive overhang, it represents a new urban landmark on the university campus. However, the striking Convention Center designed by the Lausanne-based architecture firm Richter Dahl Rocha & Associés architectes not only features exemplary architecture, it is also a role model when it comes to sustainability – receiving high praise and plaudits such as "ultra-modern" and "a role model for Europe".

The SwissTech Convention Center not only features an array of high-tech equipment under its 1,000-ton metal skin, but also a western facade that is equipped with 300 square meters of dye-sensitized solar cells. These colorful cells generate up to 2,000 kilowatts of renewable energy a year while acting as a shading screen and reducing the energy required for cooling. In addition to constituting structural foundation and support elements, five experimental thermic piles also function as heat exchangers and save the energy generated by the solar modules in order to compensate for seasonal fluctuations.

Ecological, economic and social aspects were taken into account throughout this flagship project for sustainable building right down to the smallest detail – from environmentally sustainable materials and exemplary energy efficiency right through to the quality of the interior and the optimal connection to existing infrastructures.

Alain Piller, Managing Director, engineering firm Duchein SA, Villars-sur-Glâne (CH)

"Only sustainable products were permitted in the SwissTech Convention Center. We optimally took care of the sound insulation aspect – a feature of key importance in the Convention Center – by installing the Geberit Silent-db20 piping system and additional insulation in the form of Geberit Isol."

Christian Röthenmund, Managing Director, MINERGIE Switzerland, Bern (CH)

"Water efficiency and sound insulation are decisive factors for the Minergie-Eco standard. The sound-absorbing drainage pipes from Geberit emit only extremely low noise levels. From a Minergie standpoint, the water efficiency of the WC flushing systems – with dual-flush actuators or stop-and-go flush – is just as key a step in the right direction."

Thomas Wälti, Head of Technical Advisory Services – Central Region, Geberit Vertriebs AG, Rapperswil-Jona (CH)

"Sustainability is a central theme at research institutes such as the Swiss Federal Institute of Technology in Lausanne. At Geberit, sustainability is practiced from product development right through to use on the construction site. We were thus able to convince everyone involved in the building project that our products were the right choice."

Editorial

Despite a continued challenging environment, the Geberit Group experienced an excellent 2014. In nearly all markets, impressive sales increases were achieved and market shares gained. The results considerably exceeded the good figures achieved in the previous year.

Cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million, corresponding to currency-adjusted growth of 6.4%. After experiencing above-average sales growth in the first six months of the year – facilitated in part by winter weather that was favorable for the construction industry – this trend flattened out slightly in the second half of the year, but was still in line with medium-term expectations. The volume growth and a below-average increase in the cost of materials had a positive effect on the results. These factors were partially offset by higher customer bonuses and an increase in personnel expenses. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, with a return on sales of 20.7% (previous year 19.0%). Earnings per share rose in comparison to sales growth by a disproportionately high 14.6% to CHF 13.28. Free cashflow grew by 3.6% to CHF 460.4 million.

Once again in 2014, various new and innovative products were launched. The flow-optimized Sovent fitting facilitates an optimal layout of waste water discharge stacks in high-rises. The flushing system Omega features extra-small actuator plates and a cistern that offers the greatest possible flexibility in any room layout thanks to its three installation heights. The thin actuator plate Sigma70 with patented servo technology floats a few millimeters in front of the wall and impresses with its refined elegance. With an integrated odor extraction unit and a discreet, indirect LED light for orientation at night, the sanitary module Monolith Plus sets new standards in both comfort and style. A further development of a product already successfully introduced on the market is the attractive wall drain for showers.

The concealed cistern celebrated its 50th anniversary in 2014. With more than 60 million cisterns sold to date since its introduction on the market by Geberit in 1964, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installations, which allowed bathrooms to be designed with unprecedented levels of freedom. Geberit used the occasion to thank many customers for their years of loyalty, which included hosting carefully prepared events in its markets. A real highlight was the gala evenings to which Geberit invited its most important customers and partners, which included a stage show developed by the company and a meal comprising several courses. A total of 3,800 guests attended these gala events, which represented a milestone for Geberit in terms of its customer activities.

As announced, Geberit made further investments in its production infrastructure over the past year. The new showcase plant in Ruše in Slovenia, which meets the highest standards in terms of green production, commenced operations in the second half of 2014. The pipe manufacturing facility in Villadose in Italy was enlarged by more than 6,500 square meters in order to meet the ambitious growth targets for piping systems.

An increase in logistics capacities was also initiated. The Group's logistics center in Pfullendorf in the south of Germany now supplies customers in more than 100 countries. In addition to laying the groundwork for future growth, the expansion agreed at the end of 2014 will also see the introduction of innovative technologies and a further optimization of processes. Investments totaling some EUR 40 million are planned for this project. Following completion of the planning stage, construction is planned to start in spring 2015. The work is expected to be completed at the beginning of 2017 so that the extensions can commence operations the same year.

On October 14, Geberit announced that it was making a tender offer for Sanitec. With 6,200 employees, 18 production facilities and 24 sales units in Europe as well as net sales of approximately EUR 700 million in 2014, Sanitec is a leading European producer and supplier of bathroom ceramics. An offer was made to Sanitec shareholders to acquire their shares at a price of SEK 97 each, corresponding to a total transaction value of CHF 1.21 billion for 100% of the shares. The transaction was concluded on February 10, 2015. For Geberit, the acquisition of Sanitec represents an expansion of its strategic focus. The future product portfolio will be enhanced with bathroom ceramics. The new company combines technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall". The transaction makes Geberit the market leader for sanitary products and will expand the addressable market. Access to end users and the presence in the showrooms will be strengthened. These aspects are particularly important in those markets where end users are important decision-makers. The transaction enables a promising combination of leading brands in the areas of sanitary technology and bathroom ceramics. The companies complement each other ideally thanks to the excellent reputation of both in terms of the quality and reliability of their products, not to mention their service and passion for innovative strength, refer also to → **acquisition of Sanitec**.

The development of the Geberit share price over the past year was once again strong. Beginning the year at around CHF 270, the share price rose over the course of the year and reached a new all-time high of more than CHF 340 towards the end of the year. In doing so, it far exceeded the Swiss Market Index (SMI).

The Board of Directors intends to once again let the shareholders participate in the positive development of the business and will maintain the attractive distribution policy of previous years. A dividend of CHF 8.30 will be proposed at the General Meeting, an increase of 10.7% over that of 2014. The payout ratio of 62.7% of net income is therefore in the upper range of the 50 to 70% corridor defined by the Board of Directors. In addition, the share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. This share buyback program has been suspended since July 2014 as a result of the acquisition of the Sanitec Group. The Board of Directors will decide whether to resume the program at the appropriate time.

There will be changes to the Board of Directors and the Group Executive Board. Christian Buhl has been appointed as the new Chief Executive Officer (CEO) by the Board of Directors. The Swiss citizen, who had been responsible for the Geberit market in Germany for the last three years, took up his new role at the beginning of 2015. Former CEO Albert M. Baehny stepped down at the end of 2014 following ten years at the helm and – as announced upon his election in 2011 – will concentrate on his role as Chairman of the Board of Directors of Geberit. In addition, Thomas Hübner will be nominated as a new member of the Board of Directors at the ordinary General Meeting on April 1, 2015. The nomination will be made within the context of succession planning, with Jeff Song having stepped down from the Board of Directors at the 2014 General Meeting.

As a consequence of the required amendments to conform to the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), votes were held this year on numerous amendments to the Articles of Incorporation. The Board of Directors decided to already implement the new rules in the Articles of Incorporation this year as completely as possible, even where the new law would provide for a longer transitional period. The various proposed amendments to the Articles of Incorporation were divided up into two agenda items and put to a vote. The shareholders agreed with the proposals submitted by the Board of Directors and approved the two agenda items. In addition, the General Meeting approved the completely redesigned, comprehensive Remuneration Report for the 2013 business year in a consultative vote.

We credit the strong results in 2014, which noticeably surpassed those of the previous year, to the outstanding commitment, high motivation and skills of our employees in over 40 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

Owing to the tense situation in the majority of the European construction markets, 2015 will again be a demanding business year for the Geberit Group. Hopes for a moderate global economic upturn have been dampened in recent months. Market forecasts indicate that this will directly impact the construction industry. The significantly strengthened Swiss franc is also contributing to the more difficult conditions. Accordingly, the present year, measured against the very good results achieved in the previous year, represents a challenge. In spite of everything, the objective – not only in the few markets that are healthy but also in the large number of markets that are shrinking or stagnating – is to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. The integration of Sanitec's activities in the Geberit Group will also be driven forward in this and with equally high priority. The management is convinced that the company is very well equipped for the upcoming tasks and challenges.

Albert M. Baehny Chairman of the Board of Directors	Christian Buhl CEO

Geberit share information

Share price performance in the year under review

The development of the Geberit share price over the past year was once again satisfying, supported by the favorable climate on the equity markets. Beginning the year at CHF 270.50, the share price – driven by the positive business results – significantly outperformed the Swiss Market Index (SMI) in the first half of the year. Following the third quarter, during which the Geberit share price kept pace with the market, it then once again posted above-average gains up to the end of the year as a result of the announcement of the Sanitec acquisition and the positive expectations with regard to the performance of the business and closed at CHF 338.40, just below the all-time high. This corresponds to a rise of 25.1%. In the same period, the SMI grew by 9.5%. Viewed over the past five years, the Geberit share posted an annual average increase in value of 13.0% (SMI: +6.5%). The Geberit Group's market capitalization reached CHF 12,791 million at the end of 2014.

The Geberit shares are listed on the SIX Swiss Exchange, Zurich.

At the end of 2014, the free float as defined by SIX was 100%.

Distribution

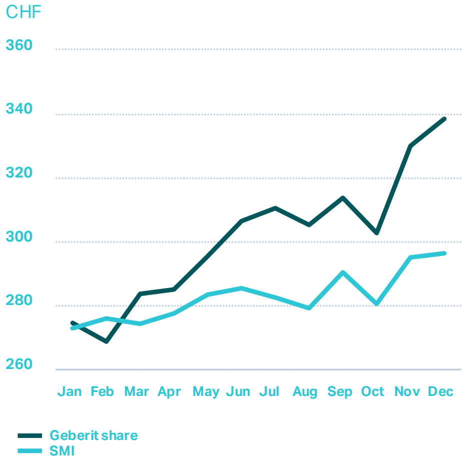
Given a normal market environment, Geberit can achieve solid free cashflows, which are either invested in organic growth, used to repay debts, applied toward any acquisitions or distributed to shareholders. The capital structure is prudently maintained and the company strives for a solid balance sheet structure with a buffer of liquidity. On the one hand, this policy guarantees the financial flexibility necessary to achieve growth targets, and on the other hand it offers investors security. Surplus liquid funds are distributed to shareholders. Geberit continued this shareholder-friendly distribution policy last year as well, and this is also intended to continue unchanged after the acquisition of Sanitec.

Over the last five years, around CHF 1.7 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 183.50 at the end of 2009 to CHF 338.40 at the end of 2014.

The Board of Directors will propose to the General Meeting of Geberit AG on April 1, 2015, a dividend of CHF 8.30, an increase of 10.7% over that of 2014. The payout ratio of 62.7% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. Subject to the shareholders' approval, the distribution will be paid on April 9, 2015.

The share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. The share buyback will be conducted via a separate trading line on the SIX Swiss Exchange. By December 31, 2014, 123,000 shares, which corresponds to around 6% of the entire program, had been acquired at a sum of CHF 37.4 million. The share buyback program has been suspended since July 2014 as a result of the Sanitec acquisition. The Board of Directors will decide whether to resume the program at the appropriate time.

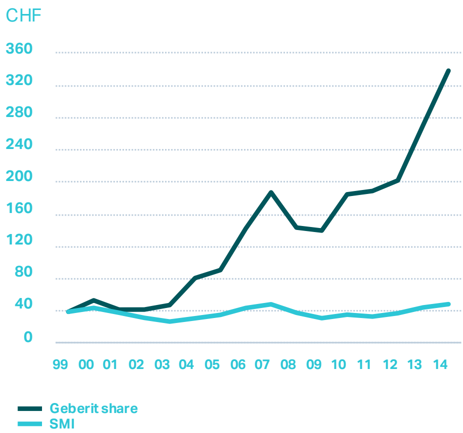
Share price development January 1 until December 31, 2014



Source: Bloomberg

Share price development 22.6.1999 (IPO) – 31.12.2014

Annual average share price



Basis: 1:10 stock split implemented on May 8, 2007
Source: Bloomberg

Communication

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the Internet (→ **www.geberit.com**), including ad-hoc announcements. Among other things, the current version of the investor presentation is available on the Internet at any time. In addition, interested parties may add their names to a mailing list (→ **www.geberit.com/mailinglist**) in order to receive the most recent information relating to the company.

CEO Christian Buhl, CFO Roland Iff and the Head of Corporate Communications & Investor Relations Roman Sidler are in charge of the ongoing communication with shareholders, the capital market and the general public. Contact details may be found on the Internet in the relevant sections. Information relating to Geberit is provided in the form of regular media information, media and analysts' conferences as well as financial presentations.

Contact may be established at any time at
→ **corporate.communications@geberit.com**

Comprehensive share information can be found at
→ **www.geberit.com > investors > share information**

Distribution paid (CHF per share)

	2010	2011	2012	2013	2014
Dividend	6.40*	–	–	3.80	7.50
Capital redemption	–	6.00	6.30	2.80	–
Total	**6.40**	**6.00**	**6.30**	**6.60**	**7.50**

* Inclusive special dividend of CHF 1.00

Total distribution to shareholders (CHF million)

	2010	2011	2012	2013	2014	Total
Distribution	253	236	242	248	282	**1,261**
Share buyback	0	193	198	0	37	**428**
Total	**253**	**429**	**440**	**248**	**319**	**1,689**

Major data relating to the Geberit share (as of December 31, 2014)

Registered shareholders	19,118
Capital stock (CHF)	3,779,842.70
Number of registered shares of CHF 0.10 each	37,798,427
Registered shares	23,286,473
Treasury stock:	
- Treasury shares	179,060
- Share buyback program	123,000
Total treasury stock	302,060
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Reuters	GEBN.VX

Key figures (CHF per share)

	2013	2014
Net income	11.59	13.28
Net cashflow	14.59	16.20
Equity	44.25	45.74
Distribution	7.50	8.30[1]

[1] Subject to approval of the General Meeting 2015

Time schedule	2015
General Meeting	Apr 1
Dividend payment	Apr 9
Interim report first quarter	Apr 28
Half-year results	Aug 12
Interim report third quarter	Oct 27
	2016
First information 2015	Jan 13
Results full year 2015	Mar 15
General Meeting	Apr 6
Dividend payment	Apr 12
Interim report first quarter	Apr 28

(Subject to minor changes)

Management structure

as of January 1, 2015

Board of Directors

Chairman
Albert M. Baehny

Vice Chairman
Robert F. Spoerry

CEO Division

Chief Executive Officer
Christian Buhl

Human Resources
Roland Held

Communications & Investor Relations
Roman Sidler

Marketing
Egon Renfordt-Sasse

Strategic Planning
Andreas Lange

Environment/Sustainability
Roland Högger

Shower Toilet
Martin Baumüller

Sales Europe

Member Executive Board
Karl Spachmann

Germany
Clemens Rapp

Italy
Giorgio Castiglioni

Switzerland
Hanspeter Tinner

Austria
Stephan Wabnegger

Netherlands
Menno Portengen

Belgium
Paul Forier

Nordic Countries
Lars Risager

France
Patrick Jouvet

United Kingdom
Mark Larden

Poland
Andrzej Dobrut

Czech Republic
Vladimir Sedlacko

Slovakia
Vladimir Sedlacko

Hungary
Tamás Köszeghy

Adriatic Region
Miran Medved

Iberian Peninsula
David Mayolas

OEM
Tobias Beck

Sales International

Member Executive Board
Christian Buhl a. i.

North America
Andreas Nowak

Far East/Pacific
Ron Kwan

China
Lawrence Leung

Singapore
Stefan Schmied

Australia
Tony Rusten

Middle East/Africa
Christian Steinberg

Products

Member Executive Board
Michael Reinhard

Accredited Test Laboratory
Markus Tanner

Quality
Christian Englisch

Purchasing
Adriaan 't Gilde

Logistics
Gerd Hailfinger

Technology/Innovation
Felix Klaiber

Products Sanitary Systems
Jörn Ikels

Installation Systems
Mario von Ballmoos

Cisterns and Mechanisms
Marcel Heierli

Faucets and Flushing Systems
Daniel Raissle

Waste Fittings and Traps
Thomas Kiffmeyer

Shower Toilet
Armin Gierer

Product Development Appliance Engineering
Hansjörg Rohr

Project Manager Pool
Rolf Kuster

Product Development Sanitary Systems
Erwin Schibig

Products Piping Systems
Pietro Mariotti

Building Drainage Systems
Sandro à Porta

Supply Systems
Michael Schüpbach

Finance

Member Executive Board
Roland Iff

Controlling
Beat Gresser

Treasury
Thomas Wenger

Internal Audit
Martin Reiner

Information Technology
Markus Enz

Legal Services
Albrecht Riebel

Service, Finance and Holding Companies
Rudolf Eberhard/
Jürgen Haas

Management structure

as of January 1, 2015

CEO Division	Sales Europe	Sales International	Products	Finance
			Project Manager Pool Pietro Mariotti	
			Product Development Piping Systems Pietro Mariotti a. i.	
			Production Plant IBA* Robert Lernbecher	
			Pfullendorf (DE) Robert Lernbecher	
			Rapperswil-Jona (CH) Bruno Bünzli	
			Pottenbrunn (AT) Helmut Schwarzl	
			Ruše (SI) Matjaz Lesjak	
			Pune (IN) Heiko Albrecht	
			Chinese Production Sites Christian Steiger	
			Production Plant EXM** Martin Ziegler	
			Langenfeld (DE) Martin Ziegler a. i.	
			Lichtenstein (DE) Thomas Schweikart/ Hartmut Müller	
			Weilheim (DE) Martin Frick	
			Matrei (AT) Josef Rapp	
			Givisiez (CH) Michel Pittet	
			Villadose (IT) Rainer Prügl	
			Rapperswil-Jona (CH), Shower Toilet Karl Zahner	
			US Production Sites Andreas Nowak	

* IBA: Injection and Blow Moulding/Assembly
** EXM: Extrusion/Metal Processing

Business and financial review

Despite a continued challenging environment, the Geberit Group experienced an excellent 2014. In nearly all markets, impressive sales increases were achieved and market shares gained. The considerable volume growth and a below-average increase in the cost of materials had a positive effect on the operating results. These effects were partially offset by higher customer bonuses and an increase in personnel expenses. With these results – which were substantially above the already good results of the previous year – Geberit noticeably outperformed the European market environment and further consolidated its position as a leading provider of sanitary technology.

Market environment

Ongoing challenging business climate

As in previous years, the construction industry in 2014 was shaped by major developments that varied by region. The industry remained challenging and only a few markets experienced a positive construction volume growth. Most of the markets deteriorated further.

Euroconstruct published an updated outlook for the development of construction volumes in **Europe** in November 2014. The figures published therein forecasted a slight increase in building construction volumes of 0.9% in 2014 (previous year -2.3%). This increase was much less significant for new buildings (+0.3%) compared to renovations (+1.4%). When compared to figures from further in the past, new building projects were 30 to 40% down on the level seen in 2007/2008. In contrast, the renovation business has once again almost reached the level seen at that time.

In addition to this upbeat trend in the building renovation sector, Geberit also benefited from the generally positive trend in the building construction sector in some important countries for Geberit. The driving force here was Germany (+2.3%), while the United Kingdom (+6.1%) and Austria (+1.8%) also developed positively. By contrast, Italy (-1.9%) and France (-2.8%) sustained downturns. Based on this information, Geberit can assume that it has clearly outperformed the relevant competition once again. In particular, the company also managed to develop better than the market environment in countries experiencing a decline – thus gaining market shares.

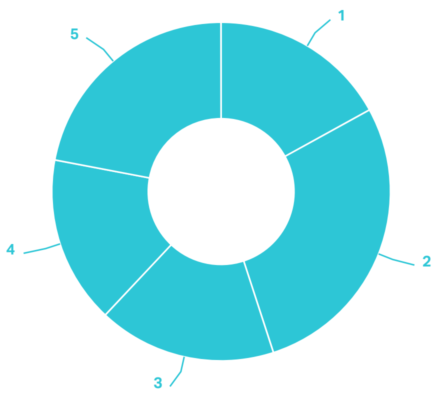
In Europe, 78% of the total construction volume in 2014 of EUR 1,305 billion relates to building construction. Residential construction accounted for just under 60% of this, and non-residential construction for just over 40%. More than half of the building construction volume pertained to renovation projects, primarily as a result of the high proportion within residential construction.

In the **USA**, gross domestic product (GDP) rose by 2.4% and the economy grew slightly stronger than in 2013 (+2.2%). Investments in building construction increased by 5.4% year-on-year. Investments in non-residential construction increased by 7.1% in total, which was considerably more than in the previous year (+0.7%). This trend was dominated by offices, hotels and commercial buildings (+15.2% in the reporting year). In contrast to this, the trend for the healthcare/hospital and school/university sectors important to Geberit remained unsatisfactory (-1.8% in the reporting year compared to -6.1% in the previous year). After two years with very positive signals, the situation for residential construction deteriorated somewhat in the past year. The number of building permits for new private residential units increased by 4.2% in the reporting year (previous year +19.4%; figures on the US construction industry as per the US Department of Commerce, United States Census Bureau).

In line with the global economic trend (from +2.6% in 2013 to +2.7% in the reporting year according to figures from the International Monetary Fund), economic growth at +4.8% in the **Far East/Pacific** region remained practically at the previous year's level (+4.9%). With a share of 55% (previous year 57%), this region was once again the main driver of global growth in 2014, with China accounting for the largest share of this figure at 62%. Despite the relatively stable macroeconomic situation, the region's construction markets suffered a slowdown. For example, residential construction in key markets such as China and Singapore cooled off as expected due to high stocks of unsold residential properties and falling prices. However, the positive trend seen in infrastructure projects continued.

Total construction output Europe 2014

(EUR 1,305 billion)

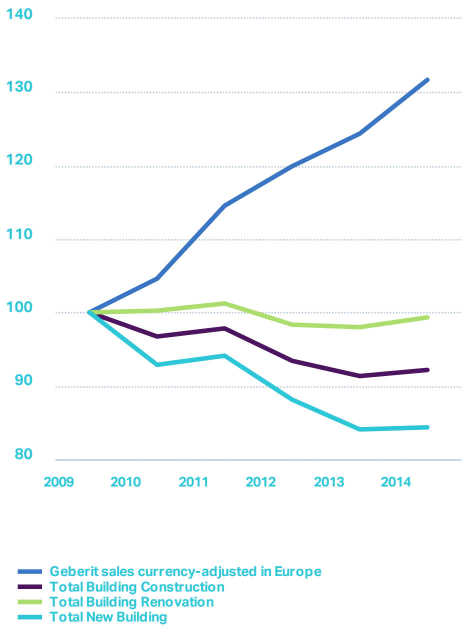


1 Residential – New (17%)
2 Residential – Renovation (28%)
3 Non-residential – New (17%)
4 Non-residential – Renovation (16%)
5 Civil engineering (22%)

Source: 78th Euroconstruct Conference in Milano (IT), November 2014

Construction output and Geberit sales in Europe 2010 – 2014

(Index: 2009 = 100)



Source: 78th Euroconstruct Conference in Milano (IT), November 2014 and 77th Euroconstruct Conference in Oslo (NO), June 2014

Sales

Convincing sales growth

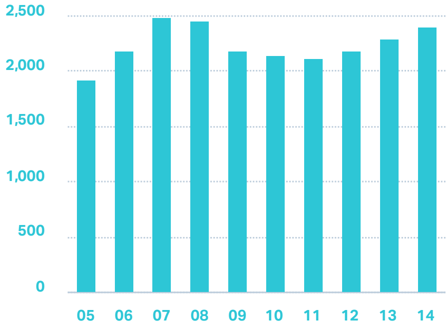
Cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million. With a growth of 6.4% in local currencies, the increase is slightly above the medium-term growth expectation of 4 to 6%. The total growth figure is made up of a volume effect of +5.0%, a price effect of +1.4% and a negative foreign currency effect of 1.5%.

In spite of the decline in sales experienced between 2008 and 2011, average annual growth for the last ten years in Swiss francs was 2.3%.

The following changes in sales figures refer to local currencies.

Sales development 2005 – 2014

(in CHF million)



Growth in all regions

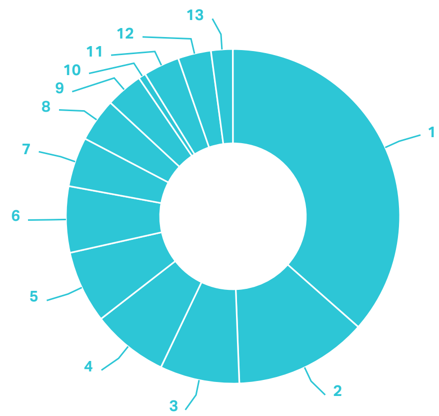
Europe recorded a currency-adjusted increase in sales of 5.9%, with all markets reporting increases. Double-digit growth was posted in the United Kingdom/Ireland (+19.8%) and Central/Eastern Europe (+11.7%). Switzerland (+6.6%) and Germany (+6.0%) also reported satisfying sales growth. Increases were also recorded in the Benelux Countries (+4.0%), France (+3.0%), the Iberian Peninsula (+3.0%), Italy (+2.7%), Austria (+2.5%) and the Nordic Countries (+2.4%). Despite the ongoing unfavorable conditions in the public sector – an area of importance to Geberit in this region – America posted growth of 6.4%. The Middle East/Africa (+21.2%) and Far East/Pacific (+12.8%) regions reported significant sales growth.

Slightly stronger growth in Sanitary Systems

Sales for the **Sanitary Systems** product area amounted to CHF 1,364.3 million, corresponding to growth of 6.7%.

Sales for the **Installation Systems** product line, at 36.5% of Group sales the most important product line, rose by 7.5% in local currencies. Drywall elements and – with double-digit growth rates – designer actuator plates made a decisive contribution to this above-average success. Growth of 7.2% was posted by the **Cisterns and Mechanisms** product line, which accounts for 11.1% of total sales. Sales were largely boosted by the strong growth of the AquaClean shower toilet – with the newly introduced AquaClean Sela model selling very well in particular – and the Monolith sanitary module for WCs, which is succesful in more and more markets. Sales of filling and flush valves recovered from the slump experienced in the previous year, mainly because of the good performance of the generally volatile OEM business. In contrast, sales of traditional exposed cisterns stagnated as a consequence of Geberit's efforts over many years to convert to concealed solutions. Sales for the **Faucets and Flushing Systems** product line, which accounts for 5.1% of total sales, increased by 3.3% in 2014. The trend reversal compared with the previous year was attributable to a slight recovery of the market conditions experienced by the US subsidiary Chicago Faucets in business with schools and hospitals, as well as the positive sales growth of urinal flush controls. Sales for the **Waste Fittings and Traps** product line rose slightly by 2.9%. The share of total Group sales came to 4.0%. Positive growth rates were seen in shower drains and traps for urinals and WCs, while bathtub drains and traps for washbasins and bidets stagnated.

2014 sales by markets/regions

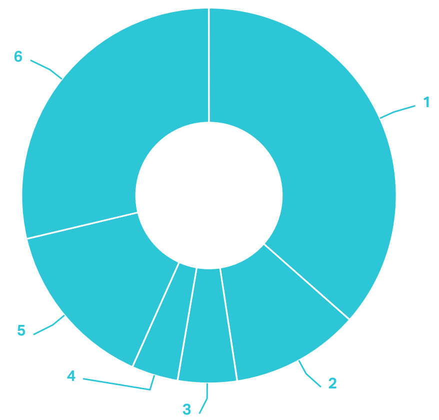


1 Germany (36.5%)
2 Switzerland (12.9%)
3 Benelux (7.7%)
4 Italy (7.4%)
5 Central/Eastern Europe (7.0%)
6 Austria (6.4%)
7 Nordic Countries (4.8%)
8 France (4.2%)
9 United Kingdom/Ireland (3.6%)
10 Iberian Peninsula (0.7%)
11 America (3.5%)
12 Far East/Pacific (3.2%)
13 Middle East/Africa (2.1%)

Sales for the **Piping Systems** product area were CHF 1,040.1 million. The increase was 6.0%, meaning growth was slightly below that of Sanitary Systems – unlike in the previous year.

The **Building Drainage Systems** product line posted the strongest growth of all product lines at 9.1% in local currencies. The share of total sales reached 14.6%. The Silent-PP and Silent-db20 sound-absorbing drainage systems did well and the business with PE drainage systems also picked up again after having slumped in the previous year. The **Supply Systems** product line posted 4.5% growth. The contribution of this product line, which is the second largest measured by Group sales, came to 28.7%. The Mapress Stainless Steel and Copper product ranges delivered convincing sales increases in particular. On the other hand, Mapress Carbon Steel and the Mepla multilayer piping system experienced below-average growth.

2014 sales by product areas and product lines



Sanitary Systems (56.7%)
1 Installation Systems (36.5%)
2 Cisterns and Mechanisms (11.1%)
3 Faucets and Flushing Systems (5.1%)
4 Waste Fittings and Traps (4.0%)
Piping Systems (43.3%)
5 Building Drainage Systems (14.6%)
6 Supply Systems (28.7%)

Results

Negative impact of foreign currencies

On the whole, the income statement was negatively affected in the reporting year due to the renewed weakening of the euro against the Swiss franc. The currency losses contained in sales amounted to CHF 34 million. In 2014, Geberit generated 68% of its sales in the eurozone, 5% in US dollars and 4% in British pounds. Accumulated currency effects reduced sales by 1.5%. As a result of the currency trend, the operating profit (EBIT) was negatively impacted by approximately CHF 10 million. However, the corresponding effect on the EBIT margin was just -0.1 percentage points.

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. This hedging strategy has been almost completely successful for the euro and US dollar, but slight deviations have arisen from the Swiss franc, the British pound and the Nordic and Eastern European currencies. Consequently, only minor currency gains or losses result from transaction effects.

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or 10% stronger than all other currencies:

- Sales: +/-8% to +/-10%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/-0.5 percentage points

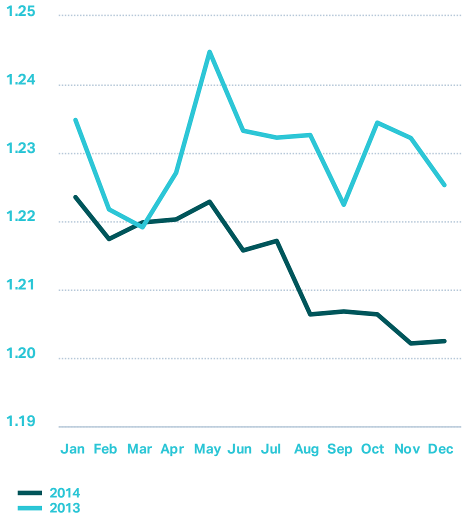
Please refer to the → **events after the reporting date**

The currency situation within the Geberit Group will be reassessed following the integration of Sanitec's activities. It will then be possible to introduce any additional measures.

For more information on the management of currency risks, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 4. Risk Assessment and Management, Management of Currency Risks** and the → **Financial Risks of the Geberit Group, Notes to the Consolidated Financial Statements, 16. Derivative Financial Instruments**.

EUR/CHF exchange rates 2013/2014

(Period-end exchange rates)



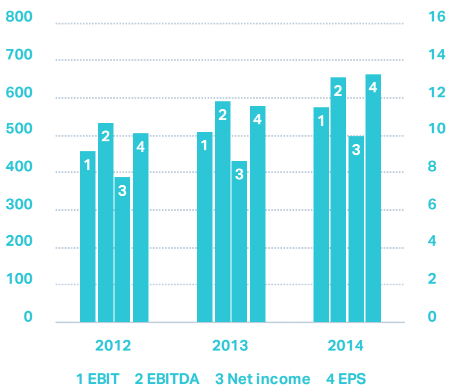
Profitability reaches all-time high

Thanks to healthy sales growth, a positive net price effect and efficient cost control, results were up on the previous year and reached all-time highs in a challenging environment in spite of once again substantial investments in organic growth.

Operating cashflow (EBITDA) rose by 10.8% to CHF 657.1 million. At 27.3%, the EBITDA margin was significantly higher than the previous year (25.9%) and also above the medium-term target range. Over the last decade, average EBITDA growth of 3.8% was better than the corresponding increase in sales of 2.3%. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, which led to a return on sales of 20.7% (previous year 19.0%). As both in percentage of sales and in absolute terms, net income thus reached its highest value since going public in 1999. Earnings per share rose by 14.6% to CHF 13.28. The share buyback program, which was launched at the end of April and is currently suspended, did not yet have any significant impact on this key figure.

EBIT, EBITDA, Net income, Earnings per share (EPS) 2012 – 2014

(in CHF million) (EPS: in CHF)



Operating expenses under control

Customer bonuses and cash discounts increased by 8.1% to CHF 315.3 million or from 12.7% to 13.1% of total sales, primarily as a result of the positive sales growth.

In 2014, total operating expenses advanced by 1.5% to CHF 1,512.2 million or to 62.9% of total sales (previous year 65.0%). Foreign currency effects had no significant influence on the operating results, see → **negative foreign currency effect**.

The cost of materials increased slightly by 1.2% to CHF 604.2 million but dropped from 26.1% of sales in the previous year to 25.1%. A slight decrease in material prices contributed to this development. A slight easing compared with the previous year was recorded above all for plastics and to a lesser extent also for industrial metals. Personnel expenses increased by 1.8% to CHF 483.9 million or 20.1% of sales (previous year 20.7%). This is explained by – largely tariff-related – salary increases and a rise in staff numbers, see → **Business and financial review, employees**. While depreciation increased by 0.5% to CHF 77.0 million, amortization of intangible assets fell by 41.8% to CHF 3.2 million due to the discontinuation of amortization from the Mapress acquisition carried out in 2004. Other operating expenses grew by 2.8% to CHF 343.9 million. While freight costs owing to the growth in volumes and administrative costs rose slightly, marketing expenses remained at the previous year's level. Also included in other operating expenses were consulting expenses for the Sanitec acquisition amounting to around CHF 3 million.

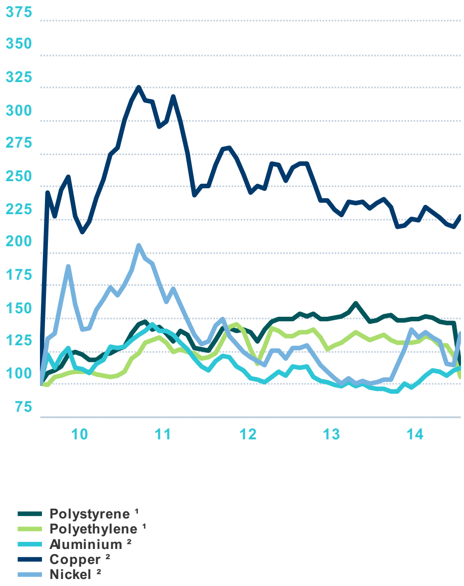
The financial result came to CHF -1.7 million. The improvement by CHF 3.8 million was due to the absence of currency losses compared with the previous year. The tax expense increased by CHF 7.2 million to CHF 76.6 million, resulting in a tax rate of 13.3% (previous year 13.7%).

Increase in free cashflow

The marked upturn in operating cashflow (EBITDA) led to an increase in net cashflow of 10.9% to CHF 608.3 million. Free cashflow grew by 3.6% to CHF 460.4 million. The lower growth posted in comparison to net cashflow resulted from the negative effects of the change in net working capital and higher investments in property, plant and equipment. Free cashflow was largely used to pay distributions of CHF 282.0 million to shareholders and to repurchase shares totaling CHF 37.4 million.

Raw material price development

(Market price; index: December 2009 = 100)



[1] Source: Kunststoff Information Verlagsgesellschaft mbH
[2] Source: London Metal Exchange

Financial structure

Strong financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy to be continued and a share buyback program to be launched while also maintaining the very solid financial foundation of the Group.

Total assets increased from CHF 2,226.0 million to CHF 2,431.5 million, mainly as a result of a higher reserve of liquid funds and a planned slight increase in inventories.

The cash reserve increased substantially, as the share buyback program launched at the end of April has been suspended since the end of July 2014 due to the Sanitec acquisition, and no further shares were repurchased as a result. In addition to liquid funds and marketable securities of CHF 749.7 million (previous year CHF 612.8 million), the Group had access to an undrawn operating credit line for the operating business of CHF 347.8 million. At CHF 10.5 million, debts were slightly under the previous year's value of CHF 11.7 million. This resulted in positive net cash of CHF 739.2 million at the end of 2014 (previous year CHF 601.1 million).

Net working capital increased by CHF 41.2 million to CHF 169.1 million compared to the previous year. Property, plant and equipment strengthened from CHF 536.4 million to CHF 550.9 million, while goodwill and intangible assets practically remained at the previous year's level at CHF 645.3 million.

The ratio of net cash to equity (gearing) increased from -36.1% in the previous year to -43.0%. The equity ratio reached a solid 70.6% (previous year 74.8%). Based on average equity, the return on equity (ROE) was 29.2% (previous year 28.2%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 1,404.5 million at the end of 2014 (previous year CHF 1,366.0 million). The return on invested capital (ROIC) was 35.5% (previous year 32.1%). For details on the gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital**.

The Geberit Group held 302,060 treasury shares on December 31, 2014, which equals 0.8% of the shares entered in the Commercial Register. Of these, 123,000 (0.3% of the shares entered in the Commercial Register) were acquired as part of the share buyback program that started in 2014. The remaining 179,060 shares are mostly earmarked for share participation plans. The total number of shares entered in the Commercial Register stands at 37,798,427 shares. The aforementioned share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. This share buyback program has been suspended since July 2014 as a result of the acquisition of the Sanitec Group. The Board of Directors will decide whether to resume the program at the appropriate time.

Debt
(in CHF million; as of December 31)

	2012	2013	2014
Long-term debt	10.9	7.7	6.6
Total debt	14.7	11.7	10.5
Liquid funds and marketable securities	423.1	612.8	749.7
Net cash	408.4	601.1	739.2

Investments

Investment volume slightly above medium-term goals

Investments in property, plant and equipment and intangible assets amounted to CHF 104.8 million in 2014 or CHF 6.8 million (+6.9%) more than in the previous year. Investment volume was therefore slightly above CHF 100 million, the level aimed for over the medium term in order to be prepared for expected growth. As a percentage of sales, the investment ratio was 4.4% (previous year 4.3%). All scheduled larger investment projects were carried out as planned.

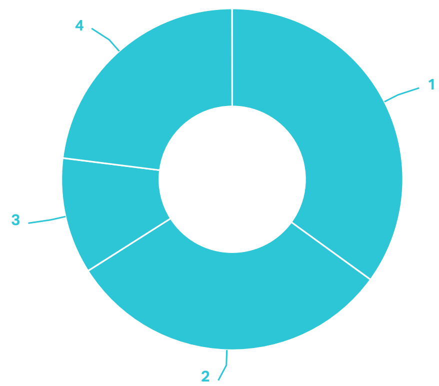
In 2014, 35% of all investments or CHF 37.2 million was used for infrastructure expansion. Geberit used 23% or CHF 23.7 million to acquire tools and equipment for new product developments, 31% or CHF 32.6 million was invested in the modernization of property, plant and equipment, while 11% or CHF 11.3 million was used for rationalization measures relating to property, plant and equipment.

The bulk of investments went toward machinery, the procurement of tools and molds for new products as well as building conversions and new building projects. Among other things, the new plant in Slovenia and the expansion of the Italian plant were completed in the reporting year. Additionally, investments were also made in important development projects and the further optimization of production processes.

Expenditures for property, plant and equipment and intangible assets (in CHF million)

	2010	2011	2012	2013	2014
	80.5	92.6	86.0	98.0	104.8
In % of sales	3.7	4.4	3.9	4.3	4.4

Investments by purpose



1 Capacity expansion (35%)
2 Modernization (31%)
3 Rationalization (11%)
4 New products (23%)

Employees

Number of employees slightly up

At the end of 2014, the Geberit Group employed 6,247 people worldwide – 21 persons or 0.3% more than in the previous year. This change is primarily due to capacity adjustments in the production plants and an expansion within sales.

Based on the average number of 6,303 employees, sales per employee amounted to TCHF 381.5 or 3.5% more than in the previous year.

The number of employees by business process did not change significantly compared to the previous year. At the end of 2014, 29.5% worked in marketing and sales, 54.1% in production, 3.7% in research and development, 9.0% in administration and 3.7% were apprentices.

Attractive employer thanks to transparency and team spirit

First-rate employees are key to the success of Geberit. Not only the best, but also the right employees are to be acquired and retained. Geberit sees itself as a company with an open corporate culture that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors.

The most important findings from the 2011 employee survey revealed that employees identify with the company to a high degree and are very satisfied with their employment conditions. A further survey is planned to review the progress made in further development issues, among other aspects. In recent years, a strong focus has been placed on the standardized global performance assessment, development and compensation process (PDC). The goal is to reinforce the performance culture, increase transparency and better recognize and promote talent. Remuneration policies are to be based on standardized job assessments and salary levels for the relevant country. A central element of the process is that several supervisors assess the performance, development and salary of an employee. Although this group process is time-consuming, experience suggests a high level of acceptance and effectiveness. At the beginning of 2014, the upper hierarchical levels – a total of around 1,000 employees or 15% of the entire workforce – were involved in this PDC process. The process was expanded in the reporting year to include further employees and around 1,250 employees or 20% of the entire workforce are now involved.

For internal communication with employees, there is a focus on interactive, real-time communication that is accessible to all. The intranet plays a central role here. For instance, the CEO regularly informs employees on the current state of the business, the economic parameters, the future prospects and general topics of interest in videos that are accessible on the intranet as well as via electronic newsletters. Special solutions involving newsletters and/or communal large-screens have been developed for production employees without access to personal computers. The intranet is currently being adapted to the latest communication trends. The initial elements of the revised version are to be introduced in 2015. In addition to the intranet, a Group-wide employee magazine is published four times a year and contains articles on issues relevant to the world of Geberit.

Targeted promotion and development

Geberit offers its employees attractive employment conditions. In 2014, salaries and social benefits amounted to CHF 483.9 million (previous year CHF 475.4 million), please also refer to the → **Notes to the Income Statement**. Employees were also able to participate in share participation plans at attractive conditions, see → **Financial Statements of the Geberit Group, 18. Share Purchase Plans** as well as → **Remuneration Report**.

Equal opportunities and equal pay for women and men are self-evident. The proportion of female employees at the end of 2014 was 31% (previous year 31%), and for senior management this figure was 7% (previous year 7%). The five-member Board of Directors and the Group Executive Board do not have any female members.

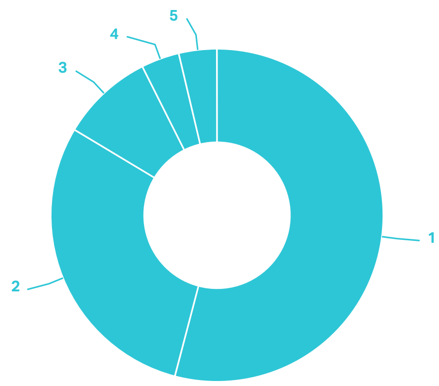
Geberit employed 232 apprentices at the end of 2014 (previous year 234). The transfer rate of apprentices to a permanent employment relationship was 82% (previous year 59%). The target is a rate of 75%. As a global company, Geberit promotes the internationalization of employees. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Therefore, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship. Such apprentice programs were carried out in India and South Africa in 2014.

Employees by countries
(as of December 31)

	2013	Share in %	2014	Share in %
Germany	2,423	39	2,413	39
Switzerland	1,255	20	1,262	20
China	718	11	688	11
Austria	503	8	507	8
Slovenia	248	4	259	4
USA	227	4	237	4
Italy	113	2	118	2
Others	739	12	763	12
Total	**6,226**	**100**	**6,247**	**100**

Employees 2014 by business processes

(as of December 31)



1 **Production (54.1%)**
2 **Marketing and Sales (29.5%)**
3 **Administration (9.0%)**
4 **Research and Development (3.7%)**
5 **Apprentices (3.7%)**

The expenditure and measures for → **training and education** are adjusted to the needs of the respective employee groups. The Potentials Management process enjoys a high level of priority. The goal is to identify talent within the company and provide targeted support. Candidates for management functions within the Group are introduced to current issues from the core business as part of an "Action Learning" program and are thus prepared for their first management, project management or specialist function. These measures are intended to ensure that at least half of the open management positions can be filled by internal candidates. In 2014, it was possible for 69% of all vacancies in Group management to be filled with internal candidates (previous year 70%).

The management training program at the International Institute for Management Development (IMD) in Lausanne launched at the end of 2012 for the 160 members of Group management was completed in 2014. The course was tailored individually to Geberit's needs and included further training modules on strategic management, leadership and finance.

Systematic process for improving occupational safety

Group-wide, the absenteeism rate was 3.9% for the reporting year (previous year 4.1%). 3.8% (previous year 4.0%) was due to sickness and 0.1% (previous year 0.1%) to occupational accidents.

The health and safety of employees has the highest priority. Geberit has therefore formulated the vision of an "accident-free company". By 2020, the accident rate is to be reduced by 50% compared with the base year 2010. The greatest potential lies in preventing accidents due to carelessness, and a focus is therefore being placed on changes in behavior. All measures are controlled as part of the Geberit Safety System (GSS). Occupational safety is monitored at the production plants by means of monthly key figures. The accident frequency rate (AFR) in 2014 came to 9.6 (previous year 10.2) and has been reduced by 33% since beginning of 2010. The accident severity rate (ASR) increased slightly to 130.5 in 2014 (previous year 124.3), but has fallen by 14% since the beginning of 2010.

For details of the measures taken to ensure active health management for the employees, also see → **Occupational Health and Safety Management Approach**.

Code of Conduct updated

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the Geberit Compass – which formulates the self-image of Geberit (what we do, what motivates us, what is responsible for our success, how we work together) – and the → **Geberit Code of Conduct for Employees** serve as the applicable guidelines. In 2014, the Code of Conduct was updated on the basis of its wording from 2007. It is to be introduced and actively communicated to employees in 2015.

in order to do justice to the topic of whistleblowing, the Geberit Integrity Line is available to all employees and is intended to enable employees to anonymously report cases such as sexual harassment or corrupt payments. The Integrity Line is operated by an external company with experience in this area and is available around the clock seven days a week. No major cases were reported through the Integrity Line in 2014. The few registered complaints were all dealt with and issues were settled swiftly.

Customers

Focus on customer needs

in order to ensure the Group's long-term success, Geberit relies on sustainable organic growth. The needs and requirements of the various target groups – whether they are wholesalers, plumbers, sanitary engineers, architects, end users or real estate investors – thus play a central role in all marketing activities.

At the forefront are around 500 technical advisors working in field service at the local sales companies, who are in daily contact with plumbers, sanitary planners and architects. Another central element for retaining customers is Geberit's broad range of training opportunities. During the reporting year, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 Geberit information centers in Europe and overseas. Once again around 70,000 customers became more familiar with Geberit know-how and products at external events that took place in 2014. in order for these customer events and training courses to be successful, it was not just the content that had to be constantly updated. In addition to the traditional focus on those in the trade, an increasing orientation towards end users required the sales arguments to be tailored as specifically as possible to the different requirements of the target groups.

Festive events to mark "50 years of concealed cisterns"

The concealed cistern celebrated its 50th anniversary in 2014. With more than 60 million cisterns sold to date since its launch by Geberit in 1964, this constantly evolving product is a real success story. The success of the concealed cistern triggered the development of prewall installations, which allowed bathrooms to be designed with unprecedented levels of freedom. A paradigm shift occurred in European bathrooms – the bathroom was no longer merely a functional room, but instead was transformed into an area of comfort with individual fittings.

Geberit used the occasion to thank many customers for their years of loyalty, which included hosting carefully prepared events in its markets. A real highlight was the five gala evenings in Duisburg and Stuttgart (DE), Bern (CH), Birmingham (UK) and Amsterdam (NL) to which Geberit invited its most important customers and partners, which included a stage show developed by the company and a meal comprised of several courses. A total of 3,800 guests attended these gala events. Similar but locally organized events were held for instance in the Czech Republic, Slovenia and Croatia. Alongside the gala evenings, building site parties were held across Germany under the slogan "the building site rocks". At 36 events, almost 10,000 participants were able to combine a casual after-work get-together with the presentation of new products and catering to match the slogan. All of these events formed a milestone for Geberit in the management of its business relationships.

Various special exhibits served to make the technology and history of the concealed cistern more accessible and tangible. In addition, a film provided an exemplary illustration of the → **history of the concealed cisterns** that were first installed in 1964 at the Hotel Eiger in Grindelwald (CH). The 50-year-old installations were subjected to a complete overhaul in 2014. In line with their reputation as icons of reliability, the concealed cisterns from the pioneering era were still in impeccable condition.

Further professionalization of marketing lays the basis for continued growth in the shower toilet market

The Geberit AquaClean advertising campaign already launched in previous years in a total of 11 markets was continued in the reporting year. Furthermore, the marketing processes and instruments were systematically expanded further. This included an extended cross-media communication concept for a direct customer approach in order to convey the benefits of the shower toilet and the AquaClean brand through the "Aqua Times" magazine, the Internet and social media. In addition, tools were provided in all 11 campaign markets to facilitate the decision-making process for the customer. The direct addressing of end users was enhanced by means of a new CRM system. Finally, a new concept for mobile booths was developed.

The → **awareness of the Geberit AquaClean brand** has increased significantly in all markets.

Close contact with plumbers and sanitary planners

The close contact with plumbers and sanitary planners remained a focus of marketing activities. The current, tried-and-tested market cultivation activities such as customer visits, training and the provision of technical documentation were continued. Geberit has been holding → **"Geberit On Tour"** events in various markets each year since 2011. The mobile exhibitions at local and regional wholesalers enable plumbers to experience new products and the advantages of Geberit products directly on site. Over 20,000 visitors were addressed at around 750 events in 15 countries in 2014. Such events not only took place in core markets such as Germany and Austria, but also in emerging markets such as South Africa and Israel.

Modern customer service

in order to be able to advise customers comprehensively and professionally, technical advisors in field service in 15 markets have now been equipped with iPads. This means that they can access all the relevant sales documentation online during sales discussions and also send it directly to the customer as required. Geberit has developed an app for its customers that makes it easier to find and order spare parts, among other features. By the end of 2014, this Geberit Pro App had been downloaded over 40,000 times since its launch in March 2013.

Trade fair presence as a tool for fostering customer contact

A large number of trade fairs again served as a suitable platform for Geberit to demonstrate its innovative power and simultaneously maintain and expand its network of contacts in the market in 2014. The most important trade fairs were those in Essen, Nuremberg and Hamburg, Swissbau in Basel, Batibouw in Brussels, Aquatherm in Vienna, Kitchen & Bath China in Shanghai and the Kitchen and Bath Industry Show in Las Vegas. Architects and designers were addressed directly at the Salone del Mobile and the Fuori Salone in Milan, and also at the architect@work series of events taking place in various countries.

It is less the technical facts than the emotional and design aspects that count in communication with end users, designers and architects. Trend shows have established themselves as a suitable venue in this regard. For example, based on the positive experiences gained in previous years in Germany, the Swiss market of Geberit invited architects, sanitary planners, plumbers and wholesalers to a trend show in Baden (CH). Around 350 participants learned what the future holds in the area of bathroom design – and how Geberit is shaping these trends in terms of design and innovations.

Innovation

R&D expenditures (in CHF million)	2010	2011	2012	2013	2014
	44.2	48.4	49.8	50.9	55.8
In % of sales	2.1	2.3	2.3	2.2	2.3

Innovation as an important foundation for brand value

Innovation is a key factor in Geberit's success as market leader. Substantial resources were once again invested in the development and the improvement of products and technologies in 2014. In addition to features such as top-class quality, durability and ease of installation, the new products are characterized by high resource efficiency and technical finesse.

The innovative power, which is above average in a sector comparison, is essential to the Group's success. It is based on its own successful and wide-ranging research and development (R&D) activities. In the reporting year, the Group invested CHF 55.8 million (previous year CHF 50.9 million) or 2.3% of sales in upcoming products. Expenditures increased by 9.6% year-on-year. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. The company applied for 20 patents in 2014, bringing the total for the last five years to 103.

All new product developments go through a structured innovation and development process, which ensures that the Group's creative potential is used to the optimum extent and that the development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here.

Broad know-how in technology and innovation

Design, comfort, drinking water hygiene, fire protection, sound insulation, hydraulics and sustainability – Geberit has in-depth expertise in all these areas. Innovations are developed within the team and are often tested in different markets. To support its internationalization efforts, the Group maintains development competence centers of its own in China and the USA.

The new → **shower toilet Geberit AquaClean Mera**, which will be available from September 2015, is a good example of how networked expertise can trigger a leap in innovation in several respects. Despite possessing many new comfort functions, it was possible to significantly reduce energy and water consumption compared to its similarly positioned predecessor – the AquaClean 8000plus.

New products for technicians and designers

The following products were newly launched on the market in 2014:

- The → **flushing system Omega** features extra-small actuator plates and a cistern that offers the greatest possible flexibility in any room layout thanks to its three installation heights. Depending on the room layout, the high-quality actuator plates can be mounted on the cistern either from the front or the top.
- The thin → **actuator plate Sigma70** floats a few millimeters in front of the wall and impresses with its refined elegance. Thanks to patented servo technology, a gentle press suffices to trigger the dual flush.
- The → **Monolith Plus** sanitary module sets new standards in both comfort and style. It features extras such as an integrated odor extraction unit and a discreet, indirect LED light for orientation at night.
- A further development of a product already successfully introduced on the market is the attractive → **wall drain for showers**. This elegant solution can be installed virtually anywhere thanks to its extra-flat trap and is also ideally suited for renovations.
- The flow-optimized → **Sovent fittings** facilitate an optimal layout of waste water discharge stacks in high-rises. The fitting ensures pressure compensation and increases the discharge rate by 40%, and also permits the use of relatively small-sized discharge stacks even in very tall buildings.
- Drainage pipes made of polyethylene can be connected to one another in a permanent and impermeable manner. This can be achieved using an electrofusion sleeve coupling or an electrofusion coupling with integrated thermal fuse, among others. New tools such as the → **electrofusion machine ESG3 and the pipe scraper** greatly facilitate this work on the building site or in the workshop.

For more details on new products in 2014, see the → **Product Magazine 2014**.

Several new product launches are planned for 2015:

- The new → **shower toilet Geberit AquaClean Mera** is a premium-class complete solution featuring the highest levels of comfort. Designed by Christoph Behling and developed by Geberit, the new shower toilet blends harmoniously into any bathroom environment. The patented WhirlSpray shower technology ensures thorough, gentle cleaning while using less energy and water. A hybrid hot water system featuring a combination of continuous flow heater and boiler ensures an immediate and constant supply of warm water. A further innovation is the TurboFlush flush technology, which ensures an efficient and quiet flush using 4.5 liters of water thanks to the specially developed, rimless inner geometry of the WC ceramic appliance. Additional comfort functions include WC-seat heating, odor extraction and an orientation light. All functions can be programmed according to personal preferences using an elegant remote control.
- The launch of the → **shower channels CleanLine** will see the introduction of a new generation of drains and shower channels for floor-even showers. These products impress thanks to their attractive design and high practical suitability, the latter of which is evident both during installation and in everyday use. Every detail, from the hydraulic design of the flat trap unit and the installation and sealing technique right through to the design of the shower channel and comb insert, is in line with pioneering standards in sanitary technology. The CleanLine shower channels can also be cleaned both quickly and thoroughly, which represents a major plus for the end user.
- The compact → **Geberit sanitary flush unit** with new control and sensor technology helps to prevent microbial contamination of water pipes by automatically flushing them when required, thus ensuring that stagnating drinking water is regularly replaced in buildings such as hotels, schools and sports stadiums. With a flexible flush performance of 4, 10 and 15 liters per minute, the sanitary flush unit can be connected to up to two water pipes. It is equipped with an integrated back-pressure sensor and can be connected to temperature and volumetric flow rate sensors. The unit is operated and programmed via smartphone.

For more details on new products in 2015, see the → **Product Magazine 2015**.

Logistics and procurement

Logistics solutions that cater to customer needs

The integrated logistics of Geberit enables optimum closeness to customers and responds to customer needs – such as delivery type and frequency – on an individual basis. As the interface between plants, markets and transport service providers, Transport Management coordinates the activities in question and facilitates intelligent and resource-efficient transport solutions; for example, by enabling transport runs between plants to be linked with deliveries to customers. This reduces the number of empty kilometers and increases truck capacity utilization.

A cooperation is in place with six main transport service providers for land transport in Europe. These service providers regularly report to Geberit on their quality and environmental management systems – including the reduction of energy consumption and emissions. The Euro 6 emission standard has been implemented for all new truck purchases made by the service providers since 2014. Overall, the share of Euro 5 vehicles was 83% (previous year 87%), with the share of Euro 6 vehicles already at 8% (previous year 3%). In 2014, the transport volume increased by 2.5% to 181.0 million ton-kilometers (previous year 176.6 million ton-kilometers), resulting in an increase in CO_2 emissions of 2.9% to 28,282 metric tons (previous year 27,483 metric tons).

The pilot project with an environmentally friendly, natural gas truck running between Pfullendorf and Rapperswil-Jona went well during the reporting year. The pioneering project, which is being conducted in collaboration with a transport service provider and a truck manufacturer, is now being evaluated in detail. This will include an assessment of whether it can be transferred to other routes.

Supplier management minimizes risks

The centrally organized Purchasing department looks after the procurement of raw materials as well as semi-finished and finished products for all production plants worldwide (except the USA). All Geberit's business partners and suppliers are obligated to maintain comprehensive standards. This applies to quality, socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. The basis for the cooperation is the → **Code of Conduct for Suppliers**. This Code is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. Up to the end of 2014, 728 suppliers had signed the Code (previous year 701 suppliers). This equates to over 95% of the total procurement value.

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardized processes and according to the same criteria: company as a whole, quality and sustainability, price, procurement chain and delivery reliability, production and technology. As a rule, the selection of suppliers must include a quality audit covering clarification on environmental, health and safety issues. Where an audit reveals inconsistencies in the area of sustainability, an additional, in-depth audit is conducted.

Overall, the risk assessment is based on the division into risk classes – depending on the production location (country) and production processes at the supplier. To ensure neutrality and the expertise required for the audits, Geberit works with external partners. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedy of the situation.

Comprehensive supplier management minimizes risks and costs. Thanks to digitization, billing too was efficient and already over 60% paperless in 2014.

Sustainability

Long-term thought and action as a basis for success

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. Geberit positions itself as a leader in sustainability and aims to set standards for customers, suppliers and other partners. This applies to water-saving, sustainable products; environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 6,000 committed and qualified employees worldwide. The corporate social responsibility is realized among other things within the scope of global social projects relating to the core competencies of water and sanitary facilities, and is intensified through partnerships such as that with the non-profit organization Swiss Water Partnership aimed at promoting international dialog on water. There is also a long-term partnership with the Swiss development organization Helvetas.

Geberit's positioning as a sustainable company is playing an increasingly important role in various stakeholder groups' perceptions, as is reflected by a large number of awards. For example, Geberit has made the Corporate Knights Global 100 index – a list of the 100 most sustainable companies in the world – since 2010.

Water management as a defining issue for the future

With its Millennium Development Goals from the year 2000, the United Nations aims to halve the number of people without access to clean drinking water and sanitary facilities by 2015. A look at the progress made to date shows that the ambitious goals are only partially being met. The sustainability goals of the UN for the post-2015 era are currently being negotiated. What is not disputed, however, is the great importance of the topic of water management for a sustainable development. The increase in the world's population, migration, urbanization, climate change and natural disasters can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on future sanitary technology: water-saving and resource-efficient products are becoming even more important. The EU is increasingly putting water conservation on its political agenda and has developed ecolabels for efficient toilets, urinals, lavatory taps and showers. The biggest environmental contribution by Geberit products lies in the conservation of water. The analysis of the entire value chain in the form of a water footprint shows that nearly 100% of the water consumption is attributable to the product usage phase. The potential for savings is therefore impressive. According to one model calculation, the entire dual-flush and flush-stop "fleet of cisterns" produced since 1998 has so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. In 2014 alone, the water saved amounted to around 2,128 million cubic meters. This is more than half of the annual consumption of all German households.

Water footprint throughout the value chain (2014)

Provision of raw materials

0.6% of the total amount of water is required in the manufacture of raw materials for Geberit products.

0.6%
(14.8 Mio. m^3)

Manufacturing

A mere 0.01% of the water is used in the manufacturing of products at Geberit in 2014.

0.01%
(0.14 Mio. m^3)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2014 during their entire service life (cisterns, urinal flushing systems and lavatory taps).

99.4%
(2 293 Mio. m^3)

Disposal

0.01% of the total amount of water is used for the disposal of Geberit products.

0.01%
(0.21 Mio. m^3)

System provider of solutions in green building

Green building has long been more than just a trend. European standards are increasingly prescribing the use of sustainable products and systems in buildings. At the same time, more and more buildings are being constructed in accordance with sustainability standards such as DGNB, Minergie, BREEAM and LEED. Investors, project developers, owners and tenants are looking for system providers with holistic know-how regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a future market with major potential in which Geberit is present with water-saving, energy-saving, low-noise and durable products, and one in which Geberit specifically positions itself in the area of green building.

The importance of the topic is reflected in the increasing number of green building reference projects in which Geberit products are installed. One of the world's largest economic centers is currently being built in Riyadh – → the King Abdullah Financial District (KAFD). It is also the world's largest sustainability project in the building sector. The new district has an area of 1.6 million square meters and will be home to 34 high-rise complexes, all of which have been nominated for LEED Gold certification. Geberit is one of the leading suppliers, with the water efficiency of its electronic WC and urinal flush controls and its electronic lavatory taps impressing as a particular strength. Geberit products contribute 10% towards the certification results achieved by the buildings in the KAFD. The → Library of Birmingham (UK) distinguishes itself with its outstanding and sustainable architecture. Geberit products such as Duofix installation systems and cisterns with dual flush contributed to the building achieving BREEAM "Excellent" certification by reducing water consumption in the toilet facilities. The 3-star green building label demands the highest standards with respect to water consumption and recovery in China. To meet these standards, the owner of the 46-story → Shenzhen Stock Exchange (CN) building opted for the Delta concealed cisterns from Geberit with dual flush.

Sustainability strategy and reporting as a foundation

The consistent implementation of the sustainability strategy is an essential objective for all internal organizational units at Geberit. The strategy focuses on individual sustainability modules. Among these are → green procurement, → green logistics, → environmental management in production, → occupational safety and → eco-design in product development, as well as → social engagement. Each module contains a clear objective, derived measures and quantified key figures for effective monitoring. Overall, objectives were achieved to a great extent in 2014. For more information, see the → sustainability strategy.

Sustainability strategy landscape

Procurement & Logistics	Production	People	Products
Green procurement	Environmental management	Code of Conduct	Eco-design
Green logistics	CO_2 strategy	Employer responsibility	Green building
	Infrastructure	Social engagement	
	Occupational safety		

Since 2007, a sustainability performance review has been published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). In this regard, the switch from the GRI G3 to the new GRI G4 guidelines was made in 2014. As prescribed by GRI, a process for determining the essential aspects of sustainability was the strategic starting point. These were identified and prioritized as part of an → internal process. An → external stakeholder panel was consulted in September 2014. This was the second such consultation following the first in 2012. Its mandate consisted of scrutinizing the results of the internal materiality analysis and providing feedback on the sustainability strategy and sustainability communication. The results are summarized in a → panel statement. The → response from Geberit to the panel statement illustrates how the results are being taken into consideration in the further development of the sustainability strategy and reporting, also see → results of materiality analysis.

All aspects of the GRI G4 guidelines can be found in the → Sustainability Performance Report for 2014. The information disclosed within the scope of this report fulfills the "comprehensive" transparency grade set out in the GRI G4 guidelines, as has been verified by GRI.

Geberit is committed to internationally recognized principles of sustainability and since 2008 has been a member of the United Nations Global Compact, a global agreement between businesses and the UN designed to make globalization more socially responsible and environmentally friendly. A → Communication on Progress regarding measures in the areas of human rights, labor practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local Swiss network of the UN Global Compact. The anchoring of the subject of sustainability is reinforced by the → Code of Conduct for Employees and the → Code of Conduct for Suppliers. Compliance with the directives is ensured by continuously improved → compliance processes. In addition, an extensive system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → Corporate Governance, 3. Board of Directors, Information and Control Instruments vis-à-vis the Group Executive Board.

The efforts in terms of sustainable business management are also being rewarded by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the Geberit share is represented in the Dow Jones Sustainability Index (DJSI) and part of the STOXX Europe Sustainability Index, as well as the FTSE4Good Index (Europe/Global), where it is among the supersector leaders in Construction & Materials. In addition, renowned sustainability funds hold the shares in their portfolios. Geberit's objective is to continue to play a significant role in the future in the "Sustainability" and "Water" investment segments, which are still gaining in importance.

Eco-design approach adopted for new product developments

In addition to their quality, durability and high degree of water and resource efficiency, Geberit products also impress with their good environmental compatibility and high recyclability. The basis for sustainable products is a systematic innovation and development process. The eco-design approach has been implemented since 2007. This means that environmental aspects – from the selection of raw materials right through to disposal – are systematically examined during a product's early development phase, with the requirement that every product outperforms its predecessor from an ecological perspective. A current example is the new OEM flush valve type 240. Thanks to an intelligent redesign, it was possible to increase the flush performance by 40% while also reducing the quantity of material. In addition, half of the material is made of high-quality ABS regranulate, thus indirectly saving almost 500 metric tons of CO_2.

Specially created product life cycle assessments are important decision-making aids for the development processes and provide arguments for the use of products that conserve resources. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, AquaClean Mera, electronic lavatory taps type 185/186, concealed cisterns and urinal flush controls. The environmental product declarations (EPDs) in accordance with the new European standard EN 15804 are becoming increasingly important and can also be used directly for green building standards such as LEED. For example, the EPD for Geberit lavatory taps presents relevant, comparable and verified information about the product's environmental performance in a transparent manner. A pilot project for the systematic recording of environmental data at the product level is currently underway, which should greatly simplify a further processing to EPDs and ecological product information.

WELL label highlights leaders in water conservation

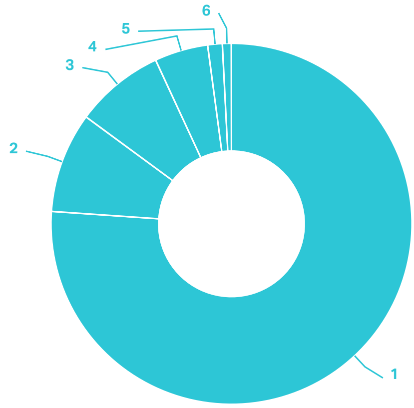
In 2013, the European Commission formally agreed the criteria for an ecolabel aimed at reducing water consumption in European toilets. This label will be awarded to toilets that – in addition to fulfilling other requirements – use a maximum of five liters per toilet flush and therefore contribute to significantly reducing the average water consumption per toilet flush. The WELL label (Water Efficiency Label) introduced in 2011 by the European umbrella organization for valve manufacturers (EUnited) already provides incentives for exceeding these requirements. It takes its direction from the well-known and well-established energy labels for electrical household appliances and serves as an information and orientation aid. WELL provides consumers with information about a product's water efficiency at a glance. WELL uses a scale of A to D for products for home use and A to F for products for use in public areas. For example, WC flushing systems achieve the A class only if they use a maximum of between four and five liters per flush. Of the nine Geberit product groups already certified, eight are represented in the A class and one in the B class. These product groups account for over 20% of Group sales. This water-efficiency label has been added to packaging and specified in the catalogs since 2013. The list of products certified in the A class also includes one of the most important products in the Geberit range, the Sigma concealed cistern.

Production at "best practice" level

All production sites and logistics as a whole work with an integrated management system and have a → **Group certificate in accordance with ISO 9001 and ISO 14001** that is valid until 2015. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management. The first sites such as Lichtenstein (DE) already set standards in 2014 with the certification of a fully integrated management system for quality, environment, energy and occupational safety. Uniform monitoring of the environmental performance, the energy master plan and occupational safety is carried out Group-wide.

A comprehensive corporate eco-balance is prepared each year as the basis for targeted measures to improve environmental performance. The Group's absolute environmental impact declined in the reporting year by 1.6% (previous year -2.1%) despite currency-adjusted Group sales over the same period rising by 6.4% (previous year +3.6%). Geberit is therefore on track with its target of reducing its relative environmental impact by an average of 5% per year between 2006 and 2015. The consumption of energy in the form of electricity, combustibles and fuels represents the greatest environmental impact, see → **detailed energy balance**. The longer-term development since 2006 – the year that the CO_2 strategy was launched – is impressive: Despite the increase in currency-adjusted sales, the electricity consumption has remained virtually unchanged. Continuous investment in energy efficiency is resulting in appreciably lower running energy costs per unit produced.

Distribution environmental impact 2014

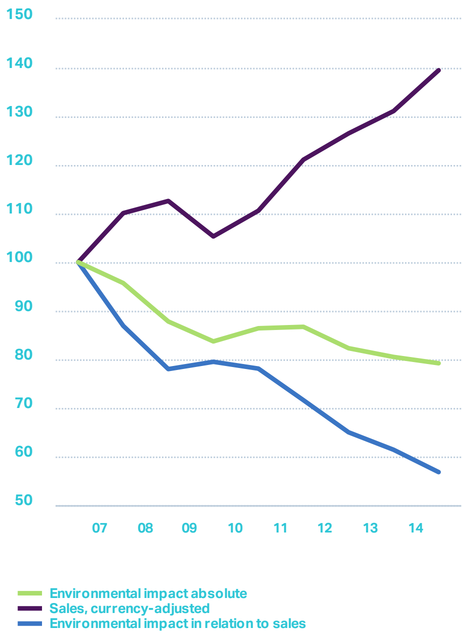


1 Electricity (76.1%)
2 Fuels (9.0%)
3 Combustibles (8.0%)
4 Disposal (4.8%)
5 Solvents (1.3%)
6 Water (0.8%)

Environmental impact 2007 – 2014

since launch of the CO_2 strategy

(Index: 2006 = 100)



The optimization of energy management is an ongoing process: in addition to Liechtenstein, the Pfullendorf and Langenfeld (DE) plants were also certified to ISO 50001 in 2014 for the first time. Among other aspects, the machinery is systematically modernized in line with the energy master plan: the number of injection molding machines retrofitted with energy-efficient drive technology was increased in the reporting year from 94 to 109. Analyses show that a modified machine consumes over 40% less energy on average.

CO_2 emissions in 2014 amounted to 69,230 metric tons (previous year 69,909 metric tons). The ratio of CO_2 emissions to currency-adjusted sales was reduced by 6.9% (previous year -6.1%). This enabled the targets set out in the long-term → **CO_2 strategy** to be met. In addition to targeted and consistent energy management, this is attributable to the increase in the share of renewable energies. In 2014, renewable energy sources accounted for 37% of total electricity consumption (previous year 31%). This figure is to be increased to 60% by 2020. The share of renewable energies in combustibles is also to be gradually increased Group-wide, rising to 25% by 2020. The detailed → **CO_2 balance sheet** and → **all measures taken to reduce CO_2 emissions** are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

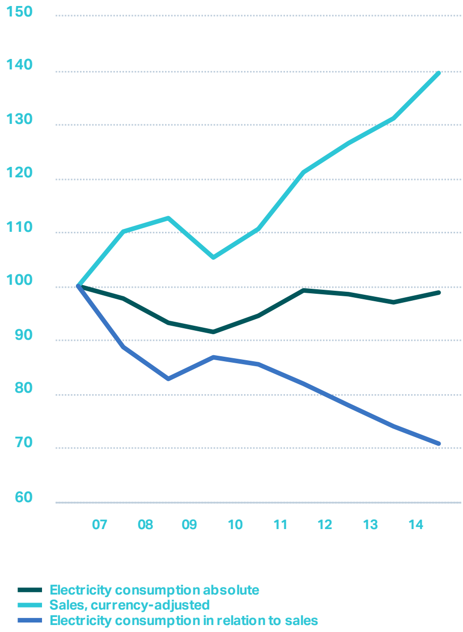
Geberit is investing in the infrastructure of tomorrow through the holistic planning and realization of new buildings and expansion projects. The new factory premises in → **Ruše (SI)** are leading the way in green production. The site's holistic energy concept includes the use of all waste heat from industrial processes, as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as fire-fighting water and for watering the surrounding area.

All 11 European production plants also began introducing the Geberit Production System (GPS) 2.0 in 2014. Methods such as SMED (Single Minute Exchange of Dies), TPM (Total Production Maintenance), 5S (Workplace Organization Methodology) and CIP (Continuous Improvement Process) aim to ensure the uniform implementation of best-practice standards in production.

Electricity consumption 2007 – 2014

since launch of the CO_2 strategy

(Index: 2006 = 100)



Compliance

Compliance processes designed for effectiveness

The → **Geberit Code of Conduct** describes the basic principles that have to be met in order to be an exemplary, reliable and fair business partner and employer. The content of the Code of Conduct was updated in 2014 and will be introduced and actively communicated to the employees in 2015. For its implementation, Geberit has established an effective system that focuses on compliance in the five key topic areas "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection". In practice, it comprises various elements such as guidelines, continuous training, job orientation for new employees, e-learning campaigns, info letters, compliance-related audits and the → **Geberit Integrity Line**, a whistleblower hotline for employees launched in 2013.

Compliance is subject to binding controls each year as part of reporting on the Code of Conduct for Employees. All Geberit Group companies receive 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in the → **Sustainability Performance Report** in accordance with the guidelines of the Global Reporting Initiative (GRI).

No significant breaches of the Code of Conduct were identified in 2014. In the interests of advancement and risk minimization, the compliance organization itself is also audited. At the end of 2014, the Internal Audit department and external auditors began examining the compliance processes with the specific aim of identifying possible improvements. Geberit is also a member of the compliance working group of SwissHoldings, in which compliance officers from all major Swiss companies exchange views on current compliance issues two to three times a year.

According to the → **materiality analysis**, the prevention of anti-competitive behavior is a key aspect. The comprehensive training on antitrust legislation was continued, with Germany and Austria the countries focused on in the reporting year. Awareness-raising and further training – among other things via e-learning programs – will be continued in the remaining Geberit Group companies in Europe in 2015.

As an active member of Transparency International, Geberit is committed to high standards in combating corruption, which it implements accordingly. Guidelines on donations that apply Group-wide are in place in this regard. A high level of awareness with respect to the correct practice regarding donations – which particularly plays a role during marketing campaigns – can be seen in the company. In cases of uncertainty, local business and marketing managers can have marketing concepts examined early on and consult the Group's Legal department. Awareness of compliance issues is also raised among sales partners at locations without Geberit representation. The company began developing a Code of Conduct for these partners in the reporting year.

Social engagement

Social projects with focus on water

Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology – including in developing regions. This is why it supports social projects each year that exhibit a relationship to the topic of water as well as to Geberit's core competencies and corporate culture. The social projects also play an important role in the area of training. Working on these projects provides Geberit apprentices with the opportunity to develop abilities and social skills that aid their personal and professional development. At the same time, social commitment also contributes to the implementation of the Millennium Development Goal of the United Nations, which has the aim of providing people worldwide with access to clean drinking water and basic sanitation.

Targeted aid throughout the world

In 2014, Geberit supported a → **project in the northern Indian city of Varanasi**. The Kiran village, established by a Swiss nun, is a training center with boarding school for around 360 children and young people. In addition to schooling, the village offers apprenticeship positions in the area of horticulture, carpentry and tailoring, as well as in the village's own orthopedic workshop. The majority of the toilet facilities in the Kiran Village were in very poor condition. A Geberit Team comprising eight apprentices and two supervisors renovated these facilities during their two-week stay. They were supported by the employees from the village and a Geberit employee from India, who now also takes care of the maintenance of the newly renovated facilities.

The partnership with the Swiss development organization Helvetas was continued. In addition to its ongoing commitments, 2014 saw Geberit initiate a corporate volunteering project for its employees at the Rapperswil-Jona site. In 2015, 16 employees drawn from a hat will travel to Nepal for two weeks in order to actively take part in ongoing infrastructure, training and structural projects in the WARM (Water Resources Management) project.

The cooperation with the non-profit organization Swiss Water Partnership was continued in the reporting year. The goal of this platform is to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges in this area and promote international dialog on water.

Geberit once again made financial contributions to diverse social projects in the reporting year, including a substantial donation to LIV, a South African organization that provides care and shelter for orphans in purpose-built villages.

As a basic principle, all social projects and the use of funds are regularly checked by Geberit employees in the respective country or in partnership with non-governmental organizations (NGOs).

For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All of Geberit's donations and related commitments are neutral from a party political point of view. Furthermore, no donations were made to parties or politicians. As a rule, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

Changes in Group structure

No significant changes in the Group structure took place during the reporting year. Please also refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group Organization**.

Sanitec acquisition

On October 14, 2014, Geberit AG announced that it was making an offer to Sanitec's shareholders to acquire their shares at a price of SEK 97 each, corresponding to a total transaction value of CHF 1.21 billion for 100% of the shares. The offer represented a premium of 29% compared to the volume-weighted average price of the Sanitec shares on the Stockholm Stock Exchange over the preceding three months.

The relevant antitrust authorities have granted all the required approvals. At the end of the acceptance period on February 2, 2015, 99.27% of the shares had been tendered to Geberit. The purchase/sale of these shares was effected on February 10, 2015, and was completely financed by Geberit, using its own funds as well as taking on new debt. A squeeze-out procedure is being implemented for the remaining shares.

Sanitec is a leading European producer and supplier of bathroom ceramics, with net sales of EUR 689 million in 2014 and an EBIT margin of 11.4%. The company employs 6,200 people in 18 production facilities and 24 sales units. Sanitec sells its products primarily in Europe under 14 leading brands that are firmly established in their local markets.

For Geberit, the acquisition of Sanitec represents an expansion of its strategic focus. The future product portfolio will be enhanced with bathroom ceramics. The new company will be the market leader for sanitary products in Europe, combining technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall".

According to a pro forma calculation that was communicated in the announcement on October 14, 2014, and which was based on 2013 figures and did not take into account synergies of the combination, the combined company generated net sales of approximately CHF 2.9 billion with an operating profit (EBIT) of just under CHF 600 million, corresponding to an EBIT margin of around 21%. Net income was just under CHF 500 million, which corresponds to a return on sales of approximately 17%.

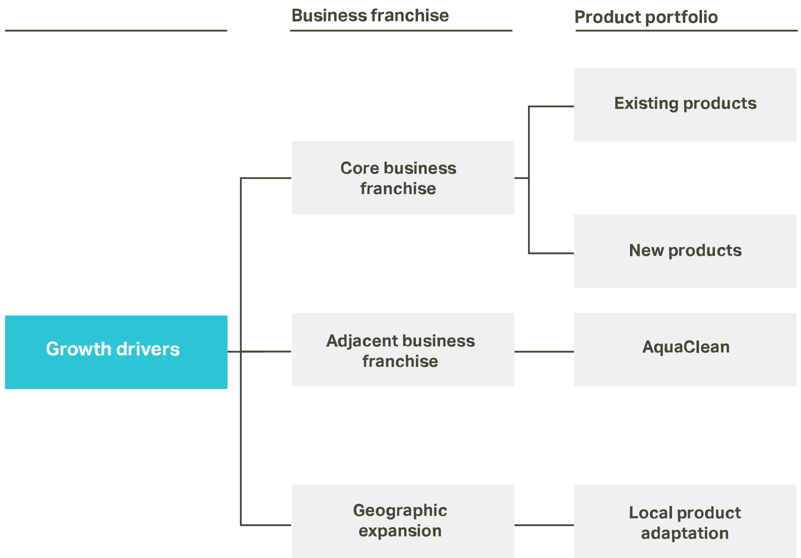
Targets and strategy

Ambitious medium-term goals

Geberit has made the setting of standards in sanitary technology worldwide its goal and aims to entrench these standards in the long term by acting sustainably. This approach is to be reflected among other things in sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows. In the medium term, average currency-adjusted sales growth of 4 to 6% and an operating cashflow margin of between 23 and 25% should be achieved annually. These targets will be reassessed following the completion of the Sanitec acquisition. A communication in this regard will follow in due time.

Further growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria.

Source of organic growth contribution



Medium-term contributions to growth will come from products already launched on the market, new product launches, the AquaClean business and from local product adaptations. Overall, around one-third of growth should result from products that have been launched in the past three years and from the AquaClean business.

In geographical terms, the core European markets generated around 70% of sales at an already high level of market penetration and – compared to the growth of the Group – slightly below-average growth rates. On the other hand, in the emerging markets inside and outside Europe, the great market potential and a lower market penetration should pave the way for above-average growth and market share gains.

A concerted internationalization strategy for the AquaClean business has been pursued since the beginning of 2009 with the objectives of establishing shower toilets as a product category in Europe and strengthening Geberit's position as the market leader in this category.

In addition, further contributions to growth will be generated in the context of geographic expansion from products adapted to the specific local needs outside the core European markets.

in order to be prepared for the expected growth, Geberit also intends to invest on a normalized basis around CHF 100 million annually in property, plant and equipment in the coming years. However, major upcoming projects will see CHF 120 - 130 million invested in property, plant and equipment in 2015 and 2016. These statements are based on the current structures at Geberit; the impact of Sanitec's integration is not taken into account in these figures.

Strategy

In accordance with its vision, Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. Its proven, focused strategy for doing so is based on the four strategic pillars "Focus on sanitary technology", "Commitment to innovation", "Selective geographic expansion" and "Continuous optimization of business processes". These are practiced daily by the highly motivated and qualified employees.

- With regard to focusing on sanitary technology, Geberit centers on those business areas in the sanitary industry for which in-depth know-how and core competencies are available within the company. Essentially, these are sanitary and piping systems for the transport of water in buildings. Here, superior-quality, integrated, water-saving sanitary systems are offered.
- Continuously optimizing and extending the product range is crucial for future success. Innovation strength is founded on basic research in areas such as hydraulics, statics, fire protection, hygiene and acoustics. The insights gained are systematically applied in the development of products and systems for the benefit of customers.
- The accelerated penetration of markets such as France, the United Kingdom, the Nordic Countries, Eastern Europe and the Iberian Peninsula is an important factor for long-term success. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf Region and India. With the exception of North America and Australia, the company mainly engages in project business in these regions. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
- A further strategic focus relates to the continuous optimization of business processes. This is intended to ensure a leading, competitive cost structure in the long term and is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

Strategic success factors

The success of the Geberit Group is based on a series of success factors. The most important are:

- a clear, long-term strategy
- the focus on the sanitary industry
- significant sustainable growth drivers (refer to graphic → **Source of organic growth contribution**)
- an attractive competitive position
- an innovative product range, developed in accordance with customer needs
- a proven push-and-pull business model
- a stable management structure
- a lean, high-performance organization with optimized processes
- a unique corporate culture

Value-oriented management

Value orientation aspects are considered in many areas of the company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the return on operating capital. In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on operating capital. Details can be found in the → **Remuneration Report** and in the → **Corporate Governance section**.

Investments in property, plant and equipment above a certain amount are approved only if strict criteria are met. In this context, it is mandatory that an investment return be achieved that exceeds the cost of capital plus a premium.

In the interests of value-oriented management, Group-relevant projects are tracked over the long term following project completion and the achievement of objectives is evaluated. To this end, a controlling report is discussed annually by the Group Executive Board.

Outlook

Environment for the construction industry will remain difficult

Hopes for a moderate global economic upturn have been dampened in recent months, which is expected to directly impact the construction industry. The challenges in this sector remain complex and, viewed from today's perspective, are expected to become even more pronounced in the medium term. The individual regions/markets and construction sectors are developing very differently. In **Europe**, volumes in the construction industry are continuing to contract overall. With the exception of a few markets such as Germany, Switzerland, the United Kingdom and Poland which are developing positively, no recovery is in sight in most other markets, and markets such as Italy and France are expected to see further falls in demand. Non-residential construction is failing to recover, but this is at least partially being compensated by a flat to slightly positive trend in residential construction. In **North America**, the indicators in public construction projects are currently not pointing to a recovery on a relevant scale, which will significantly affect the Geberit business in this market. In residential construction, signs are pointing to a slowdown in growth. In the **Far East/Pacific** region, China has seen a decrease in the sale of homes, the number of new construction projects and residential property prices; the construction industry overall is showing a downward trend. The outlook for the **Middle East** and South Africa remain positive.

Geberit

The Geberit Group's 2015 business year will be dominated by the integration of Sanitec's activities. The primary aim is to ensure that the two entities are joined in the smoothest possible manner without destroying value while at the same time creating a solid basis for a successful future. Just as important is the focus on the existing Geberit business, which is expected to be a challenging undertaking once again owing to the tense situation in the majority of the European construction markets. The objective, not only in the few markets that are healthy but also in the large number of markets that are shrinking, is to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. With regard to the impact of foreign currency effects, please refer to the → **information and the sensitivity analysis** in the Results section.

The management is convinced of being very well prepared for the upcoming tasks and will confidently meet the challenges in the new framework involving Sanitec. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. With experienced and highly motivated employees at both Geberit and Sanitec, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organization, an established cooperation based on trust with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – the Group's continued solid financial foundation following the acquisition of Sanitec, the future looks bright.

1. Group structure and shareholders

1.1 Group structure

Operational Group structure is shown in the diagram → **"Management Structure"**.

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalization, Swiss securities identification number and ISIN code, please refer to → **"Geberit share information"**.

The Group's consolidated subsidiaries are listed in → **Note 34, Group companies as of December 31, 2014** to the Consolidated Financial Statements, stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 Significant shareholders

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) listed at right were entered in the company's share register on December 31, 2014, as holding more than 3% of the voting rights or share capital recorded in the Commercial Register.

In 2014, the company shareholders listed at right also reported shareholdings of 3% or more or a reduction in their shareholdings to below 3% of the voting rights or share capital of the company recorded in the Commercial Register.

Disclosure notifications reported to Geberit during 2014 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at:
→ **www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html**.

Significant shareholders[1] (as of December 31, 2014)	
Capital Group Companies, Inc., Los Angeles, USA	9.72%
Black Rock, New York, USA	3.23%
MFS Investment Management, Boston, USA	3.03%

[1] In accordance with the corresponding report to SIX Swiss Exchange.

1.3 Cross-shareholdings

In terms of equity interests or voting rights, the Geberit Group has no cross-shareholdings with any other companies that exceed a threshold of 5%.

1.4 Important changes to the Articles of Incorporation

As a consequence of the required amendments to conform to the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), votes were held this year on numerous amendments to the Articles of Incorporation. The Board of Directors decided to already implement the new rules in the Articles of Incorporation this year as completely as possible, even where the new law would provide for a longer transitional period. The various proposed amendments to the Articles of Incorporation were divided up into two agenda items and put to a vote. The shareholders agreed with the proposals submitted by the Board of Directors and approved the two agenda items.

2. Capital structure

2.1 Capital

Amount of ordinary, authorized and conditional capital of the company as of December 31, 2014:

Ordinary capital:	CHF 3,779,842.70
Conditional capital:	–
Authorized capital:	–

For more details, please refer to the following subchapters.

2.2 Authorized and conditional capital details

As of December 31, 2014, the Geberit Group had no conditional or authorized capital.

2.3 Changes in capital

For Geberit AG's changes in capital, see the table to the right.

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2014 (→ **consolidated statements of changes in equity and consolidated statements of comprehensive income** and → **Note 22, capital stock and treasury shares**), to the information in the → **Financial Statements of Geberit AG** as well as to the 2012 figures in the → **2013 Annual Report** (Geberit Group's Consolidated Financial Statements: → **consolidated statements of changes in equity and statements of comprehensive income**, and → **Note 22, capital stock and treasury shares**; → **Financial Statements of Geberit AG**).

	31.12.2012	31.12.2013	31.12.2014
	MCHF	MCHF	MCHF
Share capital	3.9	3.8	3.8
Reserves	918.4	765.1	875.1
Retained earnings	301.7	408.6	316.4

2.4 Shares and participation certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,779,842.70. It is divided into 37,798,427 registered shares with a par value of CHF 0.10 each.

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with the company's Articles of Incorporation and allocated to the general reserve. As of December 31, 2014, the company held 302,060 treasury shares.

No participation certificates of the Geberit Group are outstanding.

2.5 Profit-sharing certificates

No profit-sharing certificates of the Geberit Group are outstanding.

2.6 Limitations on transferability and nominee registrations

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register if they explicitly declare to hold the shares in their own name and for their own account. The Articles of Incorporation provide for the registration of a maximum of 3% of the shares held by nominees, which may be permitted by the Board of Directors. The Board of Directors may register nominees as shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

The Board of Directors has the power to delete entries in the share register retroactively as of the date of entry if the registration has been made on the basis of false information. It may give the concerned shareholder the opportunity to comment in advance. In any case, the concerned shareholder is informed without delay about the deletion.

Furthermore, the Articles of Incorporation do not contain any restrictions in terms of registration or voting rights.

In the reporting year, there were no registrations in the share register of shares held by nominees of up to a maximum of 3% of the share capital or in excess of this registration limitation. Moreover, the Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the reporting year.

2.7 Convertible bonds and warrants/options

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Remuneration Report** and → **Note 18, participation plans** in the Consolidated Financial Statements of the Geberit Group.

3. Board of Directors

3.1/3.2 Members of the Board of Directors

During 2014, the Board of Directors was composed of five members.

Albert M. Baehny (1952)

Executive Chairman of the Board of Directors since 2011
Swiss citizen

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Serono-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals Europe (1981–1993), Ciba-Geigy/Ciba SC (1994–2000), Vantico (2000–2001) and Wacker Chemie (2001–2002). For more than 20 years, Albert M. Baehny gathered relevant knowledge and expertise with global business responsibility. Before joining Geberit, he was Senior Vice President of Wacker Specialties. At Geberit he was Head of Group Division Marketing and Sales Europe from 2003–2004. From 2005 until the end of 2014, Albert M. Baehny was Chief Executive Officer (CEO) of the Geberit Group. He has been Chairman of the Board of Directors since 2011.

Robert F. Spoerry (1955)

Vice Chairman of the Board of Directors since 2011, non-executive, independent member of the Board of Directors since 2009, Lead Director from 2011 until the end of 2014
Swiss citizen
Chairman of the Board of Directors Mettler-Toledo International Inc., Greifensee (CH); Chairman of the Board of Directors Sonova Holding AG, Stäfa (CH); member of the Board of Directors Conzzeta AG, Zurich (CH)

Robert F. Spoerry holds a degree in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich (CH) and an MBA from the University of Chicago (US). He has been with Mettler-Toledo since 1983 and was its CEO from 1993–2007. He oversaw the separation from Ciba-Geigy in 1996 and the initial public offering of Mettler-Toledo on the New York Stock Exchange (NYSE) in 1997. In 1998, he became Chairman of the Board of Directors.

Robert F. Spoerry has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Felix R. Ehrat (1957)

Non-executive, independent member of the Board of Directors since 2013
Swiss citizen
Group General Counsel and member of the Executive Committee Novartis AG, Basel (CH); Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); member of the Board of Directors Hyos Invest Holding AG, Zurich (CH)

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. In 1986, he completed an LL.M. at the McGeorge School of Law in the USA. In 1985, he was admitted to the Zurich Bar Association. He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since January 1, 2012. Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. Felix R. Ehrat is Chairman of the Board of Directors of Globalance Bank AG, Zurich (CH) and a member of the Board of Directors of Hyos Invest Holding AG, Zurich (CH). He is also a member of the Executive Boards of Economiesuisse and Swiss Holdings and a member of the Board of Trustees of Avenir Suisse.

Felix R. Ehrat has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Hartmut Reuter (1957)

Non-executive, independent member of the Board of Directors since 2008
German citizen
Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münder (DE)

After graduating in industrial engineering from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997–2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur (CH); for the last seven of those years he was CEO of the company. Since then, he has worked as a freelance management consultant and has held positions in various supervisory bodies.

Hartmut Reuter has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Jørgen Tang-Jensen (1956)

Non-executive, independent member of the Board of Directors since 2012
Danish citizen
Member of the Board of Directors Coloplast A/S (DK); member of the Confederation of Danish Industry Business Political Committee

Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He has also completed a number of management further training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen has been CEO of the Danish building materials manufacturer VELUX A/S since 2001. The VELUX Group has 10,000 employees at its sales companies in about 40 countries and its manufacturing companies in 11 countries. VELUX is one of the strongest brands in the global building materials sector. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed CEO. As a managing director, he was responsible for the respective national companies in Denmark from 1989–1991, France from 1991–1992, the United States in 1996 and Germany from 1999–2000.

Jørgen Tang-Jensen has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Jeff Song (1946)

Non-executive, independent member of the Board of Directors since 2012 (until April 3, 2014)
US citizen

Jeff Song earned a Master's degree in mechanical engineering at Jiaotong University in Shanghai (CN) and at the University of Toronto (CA). In 1988 he received his Ph.D. at the University of Utah (US). He was responsible for the China business of Ingersoll Rand from 2004 to January 2014 and reported directly to the CEO and Chairman of the Group. He also headed the management body of the Ingersoll Rand Division Heads of the Asia/Pacific region. From 1988–2004, Jeff Song was employed at Honeywell. In the Honeywell Group he held different positions as a development engineer, marketing and sales director as well as managing director, first in the USA and later in China.

Jeff Song has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

3.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Board of Directors may hold up to five mandates in profit-seeking legal entities and up to five mandates in non-profit-seeking legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the board of directors or the group executive board in legal entities which are controlled by the Company or which control the Company as well as mandates held by such member in his/her capacity as member of the board of directors of the Company, or held by order and on behalf of the Company or legal entities controlled by it shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the board of directors of the Company in legal entities outside the Geberit Group which are under common control as well as mandates which are held by such member in his/her capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it shall be deemed one mandate outside the Geberit Group.

Mandates held by a member of the board of directors in his/her main activity as a member of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it shall not count as mandates within the meaning of this provision.

3.4 Elections and terms of office

Since January 1, 2014, pursuant to Art. 3 of the Ordinance Against Excessive Compensation for Listed Companies (OaEC), the term of office for a member of the Board of Directors ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

Also since January 1, 2014, the Chairman of the Board of Directors is elected by the General Meeting. Their term of office also ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office.

Since January 1, 2014, members of the Nomination and Compensation Committee are also elected annually and on an individual basis at the General Meeting. Only members of the Board of Directors are eligible. Their term of office ends at the closing of the following ordinary General Meeting. Re-election is possible.

The members of the Board of Directors, Chairman of the Board of Directors and members of the Committees retire from their positions at the next ordinary General Meeting following their 70th birthday.

Jeff Song stepped down from the Board of Directors for health reasons at the General Meeting on April 3, 2014.

At the General Meeting 2015, the Chairman of the Board of Directors, the Vice Chairman and the remaining members of the Board of Directors and the members of the Nomination and Compensation Committee are standing for re-election for a further year.

The Geberit AG Board of Directors will nominate → **Thomas Hübner** as a new member of the Board of Directors at the ordinary General Meeting on April 1, 2015. The nomination will be made within the context of succession planning for Jeff Song.

3.5 Internal organizational structure

The organization of the Board of Directors is governed by law, the Company's → **Articles of Incorporation** and the → **"Organization Regulations of the Board of Directors of Geberit AG"** (see also → **"Definition of areas of responsibility"**).

Upon the entry into force of the OaEC on January 1, 2014, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are now each to be elected annually and on an individual basis by the General Meeting. After each ordinary General Meeting, the Board of Directors elects the Vice Chairman from among its members, as well as the Chairman of the Nomination and Compensation Committee and the Chairman and the members of the Audit Committee.

As part of the reorganization in the Board of Directors – with Albert M. Baehny as Chairman of the Board of Directors while at the same time remaining in office as CEO – the function of Lead Director was created. The Lead Director is invested with additional authorities so that – despite the positions of Chairman of the Board of Directors and CEO being combined – exemplary corporate governance is guaranteed. Following the resignation of Albert M. Baehny as CEO with effect from the end of 2014, the function of Lead Director will no longer be needed and is therefore abolished as of December 31, 2014.

The Board of Directors meets whenever business so requires, usually six times a year for one day each (2014: 12 meetings). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors.

The Board of Directors shall be quorate if a majority of its members are present. Attendance can also be effected via telephone or electronic media. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person. The participation rate in 2014 was 96%.

	Mar 7	Apr 3	June 24	Aug 6	Aug 12	Aug 19	Aug 25	Aug 26	Oct 4	Oct 9	Oct 27	Dec 9
Albert M. Baehny	X	X	X	X	X	X	X	X	X	X	X	X
Robert F. Spoerry	X	X	X	X	X	X	X	X	X	X	X	X
Felix R. Ehrat	X	X	–	X	X	X	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X	X	X	X
Jeff Song	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X	X	X	X	X

The Board of Directors has formed two committees composed exclusively of non-executive and independent Board members:

Nomination and Compensation Committee (NCC; formerly Personnel Committee)
The compensation and nomination tasks and responsibilities are combined in this Committee.

The Nomination and Compensation Committee consists of three or more members of the Board of Directors. The members of the Nomination and Compensation Committee are elected individually and annually by the General Meeting. The Chairman of the Nomination and Compensation Committee is selected by the Board of Directors. If the Nomination and Compensation Committee is not complete, the Board of Directors is to appoint members to fill the corresponding position(s) for the remaining term of office. The Nomination and Compensation Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The members of the Nomination and Compensation Committee as of December 31, 2014, are Robert F. Spoerry (Chairman), Hartmut Reuter and Jørgen Tang-Jensen. The committee meets at least three times a year for a half day each (2014: four meetings).

	Mar 6	Apr 2	Aug 25	Dec 9
Robert F. Spoerry	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X
Hartmut Reuter	X	X	X	X

This corresponds to a participation rate of 100%.

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the Articles of Incorporation in the area of the compensation and personnel policy of the Geberit Group. The powers and duties of the Nomination and Compensation Committee are based on the following principles:

1. Preparation and periodical review of the Geberit Group’s compensation policy and principles and personnel policy, performance criteria related to compensation and periodical review of their implementation, as well as submission of the respective proposals and recommendations to the Board of Directors.
2. Preparation of all relevant decisions of the Board of Directors in relation to the nomination and compensation of the members of the Board of Directors and of the Group Executive Board, as well as submission of the respective proposals and recommendations to the Board of Directors.

The overall responsibility for the duties and competencies assigned to the Nomination and Compensation Committee remains with the Board of Directors.

The Board of Directors may delegate further powers and duties to the Nomination and Compensation Committee in respect of nomination, compensation and related matters.

The organization, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → **Organization Regulations of the Nomination and Compensation Committee (NCC)** of the Board of Directors of Geberit AG.

Audit Committee (AC)
The Audit Committee consists of three independent, non-executive members of the Board of Directors. They are appointed annually by the Board of Directors. The Board of Directors appoints one of the members of the Audit Committee as Chairman. The Audit Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. The CEO and CFO as well as the internal and external auditors attend the meetings if necessary. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. The Audit Committee has direct access to the internal auditors and can obtain all the information it requires within the Geberit Group and consult the responsible employees.

As of December 31, 2014, the Audit Committee is composed of Hartmut Reuter (Chairman), Felix R. Ehrat and Robert F. Spoerry. It meets at least twice a year for a half day each (2014: two meetings).

	Mar 6	Aug 25
Hartmut Reuter	X	X
Felix R. Ehrat	X	X
Robert F. Spoerry	X	X

This corresponds to a participation rate of 100%.

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal auditors and coordinates them with those of the external auditors. For every meeting, the internal and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. It also assesses the functionality of the internal control system, including risk management (refer to → **"Information and control instruments vis-à-vis the Group Executive Board"**). The Audit Committee supports the Board of Directors with corporate governance issues, monitors the relevant corporate governance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

The organization, detailed responsibilities, functioning and reporting of the Audit Committee are set out in the → **Organization Regulations of the Audit Committee (AC) of the Board of Directors of Geberit AG**.

3.6 Definition of areas of responsibility

Pursuant to Swiss Corporate Law and the Articles of Incorporation, the Board of Directors has the following non-transferable and irrevocable responsibilities:

- The ultimate management of the Company and the giving of the necessary directives
- The establishment of the organization
- The structuring of the accounting system and the financial controls as well as the financial planning
- The appointment and removal of the persons entrusted with the management and the representation
- The ultimate supervision of the persons entrusted with the management; in particular, in view of compliance with the law, Articles of Incorporation, regulations and directives
- The preparation of the annual report and of the compensation report (for the first time for the business year 2014), as well as the preparation of the General Meeting and the implementation of its resolutions
- The notification of the judge in case of overindebtedness

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the Organization Regulations of the Board of Directors and the Supplement to the Organization Regulations.

To the extent legally permissible and in accordance with its Organization Regulations, the Board of Directors has assigned the operational management to the Chief Executive Officer (CEO). The individual duties assigned to the Chief Executive Officer (CEO) are governed in particular by the Supplement to the Organization Regulations. The Chief Executive Officer (CEO) is authorized to further delegate powers to individual members of the Group Executive Board and/or to other executives of the Geberit Group.

As of the end of 2014, the Group Executive Board is composed of the Chief Executive Officer and three other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

The Articles of Incorporation and/or the Organization Regulations of the Board of Directors regulate the duties and powers of the Board of Directors as a governing body, the Chairman, the Vice Chairman and Lead Director (Lead Director until December 31, 2014) and the committees. The Organization Regulations also define the rights and duties of the Group Executive Board, which are set forth in more detail in the Internal Regulations for the Group Executive Board. The Supplement to the Organization Regulations contains a detailed list of the decision-making powers and Group management duties.

The Organization Regulations of the → **Board of Directors**, the → **Nomination and Compensation Committee** and the → **Audit Committee** can be viewed at → **www.geberit.com/infocenter**.

3.7 Information and control instruments vis-à-vis the Group Executive Board

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies, as the case may be. Between meetings, the Board of Directors is comprehensively informed in writing about current business developments and the company's financial situation on a monthly basis. Essentially, this report contains key statements on the Group and on the market development, information and key figures on the Group sales and profit development (in January, April, July and October, it contains statements only on sales development and not on profit development), statements about the course of business in the individual product lines and countries as well as an analysis on the share price development. The more extensive quarterly report additionally contains the expectations of the operational management on the development of results until the end of the financial year, information on the development of the workforce and on the investments made, the composition of the shareholders as well as market expectations in regard to the business development. In the past year, the Board of Directors held 12 meetings.

Furthermore, the Vice Chairman and Lead Director of the Board of Directors (Lead Director until December 31, 2014) and the Chief Executive Officer were in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies, as the case may be.

Based on the Organization Regulations of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for control of risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis. For information on the management of financial risks, refer to → **Notes to the Consolidated Financial Statements, 4. "Risk assessment and management"**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimization proposals of previous audits.

4. Group Executive Board

4.1/4.2 Members of the Group Executive Board

During 2014, the Group Executive Board was composed of five members.

Albert M. Baehny (1952)

Chief Executive Officer (CEO) from 2005 until end of 2014
Member of the Group Executive Board since 2003
with Geberit since 2003
Chairman of the Board of Directors since 2011
Swiss citizen

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Serono-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals Europe (1981–1993), Ciba-Geigy/Ciba SC (1994–2000), Vantico (2000–2001) and Wacker Chemie (2001–2002). For more than 20 years, Albert M. Baehny gathered relevant knowledge and expertise with global business responsibility. Before joining Geberit, he was Senior Vice President of Wacker Specialties. At Geberit he was Head of Group Division Marketing and Sales Europe from 2003–2004. From 2005 until the end of 2014, Albert M. Baehny was Chief Executive Officer (CEO) of the Geberit Group. He has been Chairman of the Board of Directors since 2011, refer also → Management Structure.

Roland Iff (1961)

Member of the Group Executive Board since 2005
with Geberit since 1993
Head of Group Division Finance (CFO)
Swiss citizen
Member of the Board of Directors VZ-Holding AG, Zurich (CH)

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic.oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. Beginning in October 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Division Finance (CFO) of the Geberit Group since 2005, refer also to → Management Structure.

Michael Reinhard (1956)

Member of the Group Executive Board since 2005
with Geberit since 2004
Head of Group Division Products
German citizen
Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with various functions of increasing responsibility within international sales and marketing. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head of Group Division Sales in 2005. He has been Head of the Group Division Products since 2006, refer also to → Management Structure.

Karl Spachmann (1958)

Member of the Group Executive Board since 2011
with Geberit since 1997
Head of Group Division Sales Europe
German citizen

Karl Spachmann graduated in business and organizational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer, platoon leader and press officer until 1990. In early 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of the Division Sales Europe since 2011, refer also to → **Management Structure**.

William J. Christensen (1973)

Member of the Group Executive Board from 2009 until October 2014
with Geberit since 2004
Head of Group Division Sales International
Swiss citizen

William J. Christensen graduated with a Bachelor of Arts (major: economics) from Rollins College (US). In 1995, he started his career as a project manager in Switzerland for Rieter Automotive Systems. He held subsequent positions in finance, sales and general management with Rieter Automotive both in Switzerland and in North America. He left Rieter in 2001 to pursue an MBA at the University of Chicago (US). Upon graduation in 2003, William J. Christensen joined J. P. Morgan Securities Inc. in New York (US) in the Mergers & Acquisitions department. In November 2004, he returned to Switzerland, joining Geberit as Head of Strategic Marketing. He relocated to Chicago in February 2006 to become President and CEO of Geberit's North American business. In 2007, he became Head Group Marketing. From 2009 until October 2014, William J. Christensen was Head of the Group Division Sales International.

4.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Group Executive Board may hold up to two mandates in profit-seeking legal entities and up to four mandates in non-profit-seeking legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the group executive board in legal entities which are controlled by the Company or which control the Company as well as mandates held by such member in his/her capacity as member of the group executive board of the Company, or held by order and on behalf of the Company or legal entities controlled by it shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the group executive board of the Company in legal entities outside the Geberit Group which are under common control as well as mandates which are held by such member in his/her capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it shall be deemed one mandate outside the Geberit Group.

4.4 Management contracts

The Group has not entered into any management contracts with companies (or natural persons) outside the Geberit Group.

5. Compensations, shareholdings and loans

See → **Remuneration Report**.

6. Participatory rights of the shareholders

6.1 Voting rights and representation restrictions

The voting right may be exercised only if the shareholder is recorded as a voting shareholder in the share register of Geberit AG. Treasury shares held by the company do not entitle the holder to vote.

Shareholders can be represented at the General Meeting only by their legal representative, another voting shareholder or the independent proxy in accordance with the company's Articles of Incorporation. The company recognizes only one representative per share.

The Board of Directors determines the requirements concerning powers of attorney and instructions in accordance with the legal provisions and can issue regulations to this effect.

For limitations on transferability and nominee registrations, see → **Corporate governance, capital structure**.

6.2 Quorums required by the Articles of Incorporation

The company's Articles of Incorporation do not stipulate any resolutions of the General Meeting that can be passed only by a larger majority than that envisaged by law.

6.3/6.4 Convocation of the General Meeting of Shareholders/agenda

The General Meeting is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or for the performance of a special audit are exempt from this rule. Shareholders representing shares with a par value of CHF 4,000 may demand inclusion of items on the agenda. Such requests must be made at least 45 days prior to the General Meeting in writing by stating the items of the agenda and the motions.

Furthermore, one or more shareholders representing together at least 3% of the share capital may jointly request that an extraordinary General Meeting is called. This is made in writing by indicating the agenda items and the motion, and in the case of elections the names of the proposed candidates.

6.5 Inscriptions into the share register

In the invitation to the General Meeting, the Board of Directors will announce the cut-off date for inscription into the share register that is authoritative with respect to the right to participate and vote.

7. Changes of control and defense measures

7.1 Obligation to make an offer

There are no regulations in the Articles of Incorporation with respect to “opting-up” and “opting-out”.

7.2 Change of control clauses

For agreements and plans in the event of a change of control, see the → **Remuneration report**.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, has been the auditor of the Geberit Group since 1997 and of Geberit AG since its foundation in 1999. Lead auditor René Rausenberger has been in charge of the auditing mandate since 2008. His term of office will end with the approval of the Financial Statements and Consolidated Financial Statements 2014. The new lead auditor is Beat Inauen.

8.2 Auditing fees

In 2014, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,194 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

8.3 Additional fees

For additional Services, PricewaterhouseCoopers invoiced TCHF 362 relating to tax consultancy and support as well as TCHF 366 for other services. Compared with the previous year, the non-audit fees have therefore been significantly reduced. Altogether they amount to 61% of audit fees.

8.4 Information tools of the external auditors

Prior to every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended two meetings of the Audit Committee in the reporting year.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and submits a proposal to the General Meeting for the appointment of the auditors. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → **item 3, Board of Directors, Internal organizational structure, Audit Committee**.

9. Information policy

Geberit maintains open and regular communication with its shareholders, the capital market and the general public with the CEO, CFO and the Head Corporate Communications & Investor Relations as direct contacts.

Printed summary annual reports as well as half-year reports are sent to shareholders. A comprehensive online version of the annual report, including an integrated sustainability report, is available on the Internet at → **www.geberit.com/annualreport**. Quarterly financial statements are published. Media and analysts' conferences are held at least once a year.

Contact may be established at any time at →**corporate.communications@geberit.com**. Contact addresses for investors, media representatives and the interested public can be found on the Internet at → **www.geberit.com/contact** under the appropriate chapters.

Interested parties may add their names to a mailing list available at → **www.geberit.com/mailinglist** in order to receive ad hoc announcements or further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at →**www.geberit.com/media**.

For further details on the Geberit Group's information policy including a time schedule, please refer to the → **"Geberit share information"** chapter.

Remuneration Report

The Remuneration Report provides an overview of Geberit's remuneration principles and programs, as well as information about the method of determination of remuneration. Further, the report includes details around the remuneration of the members of the Board of Directors and of the Group Executive Board related to the business year 2014.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Stock Listed Corporations, the standards related to information on Corporate Governance issued by the SIX Swiss Exchange, as well as the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
2. Remuneration policy and principles
3. Determination of remuneration
4. Remuneration architecture
5. Board of Directors: remuneration and share ownership in 2014
6. Group Executive Board: remuneration and share ownership in 2014
7. Summary of share and option plans 2014
8. Summary of shares and options held by employees and management as of December 31, 2014

Additional information on business development in 2014 see also → **Business and financial review**.

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholder

The purpose of the remuneration programs is to attract, retain and motivate employees, to drive best-in-class performance and to encourage behavior that is aligned with the company’s high standards of integrity. We strive to proactively refine our remuneration system in order to respond to the changing business and regulatory environment and we are keen to ensure that our remuneration principles reward performance and are well aligned to the interests of our shareholders.

Based on your feedback, we undertook a review of our remuneration system leading to a number of changes in 2013, such as the elimination of performance-based remuneration for members of the Board of Directors, the introduction of a performance condition in the long-term incentive plan for the Group Executive Board and the implementation of a claw-back policy on the variable remuneration payments made to the Group Executive Board. Further, we have expanded the disclosure of remuneration in our Remuneration Report. Based on the positive outcome of the shareholder consultative vote on the Remuneration Report at the 2014 General Meeting, we believe that shareholders welcome the changes made to our remuneration programs and disclosure.

In 2014, we continued to assess our remuneration system, especially in the context of the implementation of the Ordinance against Excessive Compensation in Stock Listed Corporations. We concluded that while no fundamental changes to the remuneration programs seem necessary, we need to further enhance our compensation disclosure with additional information so that you can better assess the link between pay and performance. Looking ahead, we will continue to review and refine our remuneration framework in order to promote sustainable performance and employees’ engagement, while ensuring compliance to the regulatory requirements.

At the 2015 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and to the Executive Board for the 2016 business year. Further, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote.

The Board of Directors would like to thank you for the time you took to meet with us and share your views on remuneration. We hope that you find this report informative and are confident that our remuneration system rewards for performance in a balanced and sustainable manner and aligns well with the shareholders’ interest.

Yours sincerely

Robert F. Spoerry
Chairman of the Nomination & Compensation Committee

2. Remuneration policy and principles

Core principles

in order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talent. Geberit's compensation programs are designed to support this fundamental objective and are based on the following principles:

- Remuneration is competitive with that of other companies with which Geberit competes for talent
- Both company performance and individual contributions are recognized and rewarded
- Remuneration programs are balanced between rewarding short-term success and long-term value creation
- Shareholding programs foster the long-term commitment and mindset of executives and the alignment of their interests to those of the shareholders
- Executives are protected against risks through appropriate pension and insurance programs

Remuneration of the Board of Directors

in order to ensure the independence of the Board of Directors in its supervisory function over the Group Executive Board, members of the Board of Directors receive a fixed remuneration in the form of non-discounted shares with a blocking period of four years. The remuneration system for the Board of Directors does not contain any performance-related component, refer also to → **Remuneration architecture, Board of Directors**.

Remuneration of the Group Executive Board

The remuneration of the Group Executive Board consists of fixed and variable elements.

The base salary and benefits form the fixed remuneration and are based on prevalent market practice.

The variable remuneration drives and rewards best-in-class performance by means of continuously setting ambitious and stretched targets. The variable remuneration consists of a short-term and a long-term element:

- The short-term variable remuneration is based on Geberit's value drivers, such as sales, earnings before interest and tax (EBIT), return on invested capital (ROIC) and earnings per share (EPS), as well as individual objectives that are embedded in the annual performance management process. This remuneration balances the reward of individual performance and company success.
- The long-term variable remuneration is based on the return on invested capital (ROIC) and aims to reward sustainable performance, to align the interests of management to those of shareholders and to foster long-term retention of the executives.

The variable remuneration is capped in order to not reward for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, refer also to → **Remuneration architecture, Group Executive Board**.

Governance and shareholders' involvement

Authority for decisions related to remuneration are governed by the Articles of Incorporation and the Organizational Regulations of Geberit AG.

The prospective maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Group Executive Board are subject to a binding shareholders' vote at the Annual General Meeting. In addition, the Remuneration Report for the preceding compensation period is subject to a consultative vote, refer also to → **Determination of remuneration**.

3. Determination of remuneration

3.1. Nomination and Compensation Committee

As determined in the Articles of Incorporation and in the Organizational Regulations of Geberit AG, the Nomination & Compensation Committee (NCC) supports the Board of Directors (BoD) in the fulfillment of its duties and responsibilities in the area of remuneration and personnel policy, including:

- Establishment and periodical review of the Group's remuneration policy and principles
- Yearly review of the individual remuneration of the CEO and of the other members of the Group Executive Board
- Yearly performance assessment of the CEO and of the other members of the Group Executive Board
- Preparation of the remuneration report
- Personnel development of the Group Executive Board
- Succession planning and nomination for positions on the Group Executive Board
- Pre-selection of candidates for election or re-election to the Board of Directors

Approval and authority levels on remuneration matters:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of Incorporation		proposes	approves	
Maximum aggregate amount of remuneration for the Board of Directors and the Group Executive Board		proposes	reviews	binding vote
Individual remuneration of members of the Board of Directors		proposes	approves	
Individual remuneration of the CEO (including fixed remuneration, STI[1] and LTI[2])		proposes	approves	
Individual remuneration of other members of the Group Executive Board	proposes	reviews	approves	
LTI[2] grant for all other eligible parties	proposes	reviews	approves	
Remuneration report		proposes	approves	consultative vote

[1] Short-Term Incentive
[2] Long-Term Incentive

The Nomination & Compensation Committee consists exclusively of independent and non-executive members of the Board of Directors, who are elected annually by the General Meeting. For the period under review, the NCC consisted of Robert F. Spoerry as Chairman and Jørgen Tang-Jensen and Hartmut Reuter as members.

The Nomination and Compensation Committee meets at least three time per year. In 2014, it held four meetings. As a general rule, the Chairman of the Board of Directors, the CEO and the Head of Corporate Human Resources participate in the meetings of the Nomination and Compensation Committee. The Chairman of the Nomination & Compensation Committee may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not take part in the section of the meetings where their own performance and/or remuneration are being discussed.

After each meeting, the Chairman of the Nomination & Compensation Committee reports to the Board of Directors on its activities and recommendations. The minutes of the Nomination & Compensation Committee's meetings are available to the full Board of Directors.

3.2. Process of determination of compensation

Benchmarks and external consultants

Geberit regularly reviews the remuneration of its executives, including that of members of the Group Executive Board. This includes regular participation in benchmark studies on comparable functions in other industrial companies. In 2012, a detailed analysis of the remuneration of members of the Group Executive Board was carried out by an independent external compensation consulting firm, Towers Watson. This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies of comparable size and geographic scope and headquartered in Switzerland: Barry Callebaut, Bucher, Dätwyler, EMS-Chemie, Georg Fischer, Givaudan, Kaba, Lindt & Sprüngli, Logitech, Lonza, Mettler-Toledo, Nobel Biocare, Oerlikon, Sika, Sonova, Straumann, Sulzer and Zehnder. The study revealed that remuneration of the CEO and other members of the Group Executive Board was broadly in line with that of the peer group. However, it became apparent that the weighting of the different remuneration components deviated from that of the market; in particular, the proportion of the Long-Term Incentive as a percentage of the total remuneration at Geberit was below that of the peer group. The Board of Directors decided to rebalance the remuneration components in line with market practice.

In regard to the remuneration of the Board of Directors, the remuneration of non-financial companies of the Swiss Market Index Mid (SMIM) and of the Swiss Market Index (SMI) is taken into consideration. The remuneration system (structure) is reviewed periodically by the Nomination & Compensation Committee. Such a review took place in 2012 and has led to a fundamental change with the elimination of any performance-related remuneration for the Board of Directors.

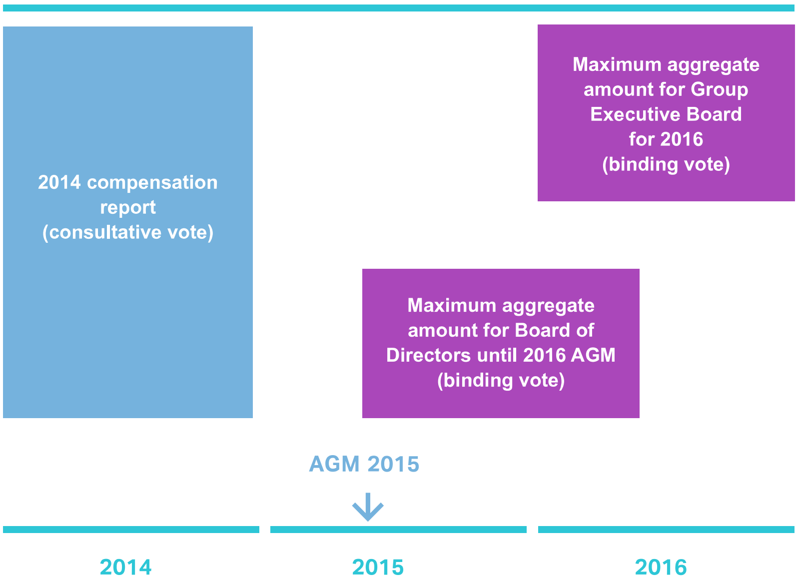
Performance management
The actual compensation effectively paid out in a given year to the Group Executive Board members depends on the company and on the individual performance. Individual performance is assessed through the formal annual Performance Management process: company and individual performance objectives are approved at the beginning of the business year and achievements against those objectives are assessed after year-end. The performance appraisal is the basis for determination of the actual compensation.

Objective setting (December – January)	**Mid-year review** (July)	**Final review** (December – January)	**Determination of compensation** (February – March)
Determination of individual objectives	Mid-year discussion on performance to date against predefined objectives	Self-appraisal and performance assessment	Determination of actual compensation

3.3. Shareholder involvement

In the last two years, based on the feedback received by shareholders and shareholders' representatives, Geberit has made significant efforts to improve the compensation disclosure in terms of transparency and level of detail provided about the remuneration principles and programs. The positive outcome of the consultative vote on the 2013 Remuneration Report indicates that shareholders welcome the progresses made. Geberit will continue to submit the Remuneration Report to a consultative shareholders' vote at the General Meeting, so that shareholders have an opportunity to express their opinion about the remuneration system.

In addition, as required by the Ordinance against Excessive Remuneration in Stock Listed Corporations, shareholders will be asked to approve the amount of compensation of the Board of Directors and of the Group Executive Board in a binding vote at the General Meeting. The provisions of the Articles of Incorporation of Geberit stipulate that shareholders vote on the prospective maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the Group Executive Board for the following business year.



The maximum aggregate remuneration amount for the Board of Directors includes the cash remuneration, the value of the restricted shares at grant and the social security contributions made by the employer.

The maximum aggregate remuneration amount for the Group Executive Board includes the following:

- Fixed remuneration: base salaries, value of benefits, employer contributions to retirement plans and estimated employer contributions to social security
- Maximum possible payout under the variable cash incentive plan if the achievement of all performance objectives reach the cap level and assuming a maximum investment into the share participation plan (with maximum possible amount of matching options)
- Maximum value of the options at grant assuming that achievement of the performance condition reaches the cap level

Therefore, the maximum aggregate remuneration amount submitted to shareholders' vote is potentially much higher than the amount of compensation that will be effectively paid out to the members of the Group Executive Board based on the performance achieved. The amount effectively paid out will be disclosed in the compensation report of the respective business year, which will subject to a consultative shareholders' vote.

We are convinced that the binding prospective vote on the aggregate compensation amounts, combined with a consultative retrospective vote on the remuneration report, provide our shareholders with a far-reaching "say-on-pay".

Articles of Incorporation
As required by the Ordinance, the Articles of Incorporation of Geberit have been revised in 2014 and approved by the shareholders at the last General Meeting. The Articles of Incorporation include the following provisions on remuneration (details available on → **www.geberit.com**):

- Principles applicable to performance-related pay:
  Members of the Group Executive Board may be paid variable remuneration that may include short- and long-term elements and which is linked to the achievement of one or several performance criteria. Performance criteria are determined by the Board of Directors and may include individual and company targets. The Board of Directors determines the terms and conditions of any share-based remuneration, including time of allocation, valuation methodology, blocking and/or vesting and/or exercise periods, maximum award limits and any applicable claw-back mechanism.
- Additional amount for payments to members of the Group Executive Board appointed after the vote on remuneration at the General Meeting:
  For the remuneration of members of the Group Executive Board who have been appointed after the approval of the maximum aggregate remuneration amount by the General Meeting, and to the extent that the maximum aggregate remuneration amount as approved does not suffice, an amount of up to 40% of the maximum aggregate remuneration amount approved for the Group Executive Board is available without further approval of the General Meeting.

- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Board:
  No loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

The provisions of the Articles of Incorporation have been kept generic so that the Board of Directors have sufficient flexibility to make amendments to the compensation programs in the future, if so necessary. The compensation principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned to good practice in terms of corporate governance; for example, the independent members of the Board of Directors are not eligible to any variable remuneration or retirement benefits, refer also to → **Remuneration architecture, Board of Directors**.

4. Remuneration architecture

4.1. Board of Directors

The remuneration of members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of a fixed retainer and a remuneration for their committee work. The remuneration is paid in the form of restricted shares subject to a four-year blocking period. The restriction on the shares may lapse in case of death. The shares remain blocked in all other instances. In addition, members of the Board of Directors also receive a lump sum to cover their expenses, paid out in cash.

Annual fees	in CHF	Delivery
Vice-Chairman (Lead Director)	245,000	Restricted shares
Member of the Board of Directors	170,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

The remuneration of the Chairman of the Board of Directors is covered by his reported remuneration as CEO.

4.2. Group Executive Board

The remuneration of the Group Executive Board is defined in a regulation adopted by the Board of Directors and consists of the following elements:

- Base salary
- Variable cash remuneration (Short-Term Incentive (STI))
- Long-term equity participation plan (Long-Term Incentive (LTI))
- Additional employee benefits, such as pension benefits and perquisites

	Program	Instrument	Purpose	Plan-/ performance period	Performance metrics in 2014
Base salary	Annual base salary	Monthly cash payments	Attract & Retain		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract & retain	1-year performance period	Sales, EBIT, EPS, ROIC, Individual objectives
	Share Participation Program MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: - 3-year restriction period Share options: - 4-year performance period - 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance Align with shareholders' interests Retain	4-year performance period 7-year plan period	ROIC
Benefits	Pension	Gemeinschafts-stiftung Wohlfahrtsfond	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & Retain		

Base salary
The base salary is a fixed remuneration paid in cash on a monthly basis. It is determined on the basis of the scope and responsibilities of the position, the market value of the role and the qualifications and experience of the incumbent. The base salary is reviewed annually based on market salary information, the company's financial affordability and performance, and the evolving experience of the individual in the role.

Variable cash remuneration / Short-Term Incentive (STI)
The variable cash remuneration (STI) of the Group Executive Board and some 150 additional members of Group management rewards the achievement of annual financial business goals and of individual objectives agreed and evaluated within the annual performance management process.

The base salary and the variable cash remuneration (assuming 100% achievement of all objectives) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%, out of which 25% is driven by the achievement of business goals and 5% by the achievement of individual objectives.

Functionality remuneration model
The financial objectives include sales, EBIT, earnings per share (EPS) and return on invested capital (ROIC), equally weighted. These financial objectives have been chosen because they are key value drivers and generally reward for growing the business and gaining market shares (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the Nomination & Compensation Committee, the Board of Directors determines the expected (target) level of performance for each financial objective for the following year. in order to strengthen the company's position as market leader and to continuously strive for superior performance, substantial improvements against the previous year's achievements are generally required in order to meet the target level of performance, in line with the company's ambitious financial plan. The intention of this demanding target setting is to deliver best-in-class performance and to stay ahead of the market. In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of the target income.

To find out how the functionality remuneration model works, visit the interactive graphic in the online Annual Report at
→ **www.geberit.com/annualreport > Business report > Remuneration report**.

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Directors and the CEO. The individual objectives are of more qualitative and strategic nature and may include, for example, objectives related to product and service innovation, entry in new markets, management of strategic projects and leadership. The maximum payout for the individual objectives shall not exceed 10% of the target income.

As a result, the total variable cash remuneration for members of the Group Executive Board is capped at 70% of the target income, which corresponds to the annual base salary.

Members of the Group Executive Board have the opportunity to invest part or all their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. The shares are blocked for a period of three years. in order to encourage executives to participate in the program, a free share option is provided for each share purchased through the program. The options are subject to a performance-based vesting period of four years: a quarter vest one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The other features of the options and the performance condition (return on invested capital ROIC) are the same as those applicable to the options granted under the Long-Term Incentive MSOP plan (please refer to the section on Long-Term Incentive below).

In the event of termination of employment, the following provisions apply:

- Termination for other reason than death or retirement: restricted shares remain subject to the regular blocking period and vested options can be exercised within a 90-day period. Non-vested options can be repurchased by Geberit or continue to vest normally and are exercisable over a 90-day period after the vesting date.
- Termination in the event of death: restricted shares are unblocked immediately and unvested options are subject to an accelerated vesting. The exercise period for vested options is 90-days.
- In case of retirement, the restricted shares and options are subject to the regular terms and conditions of the plan.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

Long-Term Incentive (LTI)
The purpose of the Long-Term Incentive (Management Share Option Plan MSOP) is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives. The MSOP was revised, effective January 1, 2013, with the introduction of a performance-based vesting condition.

Every year, the Board of Directors determines the grant of share options. Based on a benchmark study conducted in 2012, the Board of Directors decided to gradually increase the grant value for members of the Group Executive Board. The market value of options granted amounts to 50% of the target income for the CEO and to 30% of the target income for other members of the Group Executive Board. For some 60 additional participants of the Group management, the market value amounts to 10% of the target income.

To find out how the long-term option program (MSOP) works, visit the interactive graphic in the online Annual Report at
→ **www.geberit.com/annualreport > Business report > Remuneration report**.

The options are subject to a vesting period staged over four years as follows: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant. The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating Capital (ROIC) over the respective vesting period. ROIC expresses how well the company is generating cash relative to the capital it has invested in its business. The Board of Directors determines a target level of performance for which the options will vest in full and a minimum level of performance (threshold) below which there is no vesting at all. Both the threshold and the target are ambitious: they are a multiple of the weighted average cost of capital. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options have a term of seven years after which they expire. They can be exercised between the respective vesting date and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

In the event of termination of employment, vested options can be exercised within a 90-day period. Non-vested options are forfeited on termination, except in case of death or retirement. In case of death, the unvested options are subject to an accelerated full vesting. In case of retirement, the unvested options continue to follow the regular performance-based vesting schedule and the vested options are subject to the regular exercise period.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

Benefits
Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 146 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 146 is insured (including actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

Furthermore, each member of the Group Executive Board is entitled to a company car and a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

Employment terms and conditions

All members of the Group Executive Board have permanent employment contracts with notice periods of a maximum of one year. Members of the Group Executive Board are not entitled to any severance payment.

in order to ensure good corporate governance, Geberit has implemented a claw-back policy on payments made under the Short-Term Incentive program, which covers situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the STI payout, taking into account the restated financial results, and to seek reimbursement of any STI amount paid in excess of the newly calculated amount. The claw-back clause is applicable during three years after the payment of the respective variable remuneration.

5. Board of Directors: remuneration and share ownership in 2014

This section is audited by the external auditor.

In 2014, members of the Board of Directors received a total remuneration of TCHF 995 (previous year TCHF 1,183). Compensation for regular board activities and committee assignments amounted to TCHF 893 (previous year TCHF 1,063). This is equivalent to a 16.0% decrease due to a vacancy on the Board of Directors. The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of non-discounted restricted shares.

Please refer to the following table for details pertaining to the remuneration of members of the Board of Directors:

	A. Baehny Chairman[2] CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	F. Ehrat CHF	J. Tang-Jensen CHF	Total CHF
2014						
Remuneration of the Board of Directors						
Accrued remuneration[1]	–	320,000	222,500	150,000	200,000	892,500
Expenses	–	15,000	15,000	15,000	15,000	60,000
Contributions to social insurance	–	15,071	10,725	7,431	9,716	42,942
Total	**–**	**350,071**	**248,225**	**172,431**	**224,716**	**995,442**

	CHF
Remuneration of former members of the Board of Directors (J. Song)	
Accrued remuneration[1]	46,250
Expenses	3,750
Contributions to social insurance	6,069
Total	**56,069**

	A. Baehny Chairman[2] CHF	R. Spoerry Vice Chairman CHF	H. Reuter CHF	F. Ehrat CHF	J. Song CHF	J. Tang-Jensen CHF	Total CHF
2013							
Remuneration of the Board of Directors							
Accrued remuneration[1]	-	320,000	222,500	150,000	170,000	200,000	1,062,500
Expenses	-	15,000	15,000	11,250	15,000	15,000	71,250
Contributions to social insurance	-	15,071	10,714	7,438	6,066	9,701	48,990
Total	**-**	**350,071**	**248,214**	**168,688**	**191,066**	**224,701**	**1,182,740**

Remuneration of former members of the Board of Directors (S. Ruoff)	CHF
Accrued remuneration[1]	50,000
Expenses	3,750
Contributions to social insurance	2,469
Total	**56,219**

[1] Directors' fee booked as at December 31. Payment will be made in the first quarter of 2015 in the form of restricted shares paid out in the form of registered shares of the company with a par value of CHF 0.10 each, 4-year blocking period, valued at fair value at grant date of CHF 281.95 (previous year CHF 231.20). The part not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non Swiss board members.
[2] The remuneration of A. Baehny as Chairman of the Board is compensated with his total CEO remuneration.

As of the end of 2014 and 2013, members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	F. Ehrat	J. Tang-Jensen	Total
2014						
Shareholdings Board of Directors						
Shares	see Group Executive Board	7,606	6,336	706	1,284	15,932
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	F. Ehrat	J. Song	J. Tang-Jensen	Total
2013							
Shareholdings Board of Directors							
Shares	see Group Executive Board	6,355	5,584	200	448	749	13,336
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

As of December 31, 2014, there were no outstanding loans or credits between the company and members of the Board of Directors, closely related parties or former members of the Board of Directors.

6. Group Executive Board: remuneration and share/option ownership in 2014

6.1. Performance in 2014

Thanks to healthy sales growth, a positive net price effect and efficient cost control, results far exceeded those achieved in the previous year despite a continued challenging environment. The values of all key figures used to calculate the variable cash remuneration exceeded the targets; the majority of the results reached all-time highs.

6.2. Remuneration awarded in 2014

The remuneration of the Group Executive Board amounted to TCHF 7,707 in 2014 (previous year TCHF 7,391). Remuneration of the CEO amounted to TCHF 2,802 in 2014 (previous year TCHF 2,597). Base salaries for the CEO and other members of the Group Executive Board remained unchanged. This rise in the total remuneration compared with 2013 is a consequence of the higher target achievement in the STI program, the increase in the LTI grant as well as higher social insurance contributions resulting from the exercise of options. The amount of options granted under the MSOP (Long-Term Incentive) was increased from 40% to 50% of the target income for the CEO, and from 20% to 30% of the target income for other members of the Group Executive Board. As described in → **3.2 Determination of renumeration, "Benchmarks and external consultants"**, these are necessary changes to rebalance the different remuneration components so that the total compensation package is aligned with market practice over the coming years. During this process, the base salaries of members of the Group Executive Board remain unchanged. The MSPP options increased slightly compared to the previous year. Contributions to company pension funds and other benefits to the CEO and the other members of the Group Executive Board remained constant.

The following table – reviewed by the external auditor – shows details of remuneration for 2014 and 2013:

	2014		2013	
	A. Baehny CEO[7]	Total	A. Baehny CEO	Total
	CHF	CHF	CHF	CHF
Remuneration of the Group Executive Board				
Salary				
- Base salary	946,803	2,793,345	946,803	2,861,729
- Variable remuneration[1]	869,486	2,540,674	831,086	2,507,682
thereof in shares in 2014[2]			498,488	1,338,699
Options				
- Call options MSOP 2013/2014[3]	685,661	1,347,411	548,526	1,110,585
- Call options MSPP 2013/2014[4]	41,813	112,290	62,797	108,264
Non-cash benefits				
- Private share of company vehicle[5]	9,660	39,984	9,660	38,792
Expenditure on pensions				
- Pension plans and social insurance	246,523	861,830	196,283	752,034
- Contribution health/accident insurance	2,262	11,903	2,262	12,390
Total[6]	**2,802,208**	**7,707,437**	**2,597,417**	**7,391,476**

[1] The amounts to be paid respectively; the amounts effectively paid are shown. Payment of the variable salary occurs in the following year. Member of the Group Executive Board are free to choose between a payment in shares or in cash.

[2] Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 281.95 (PY CHF 231.20).

[3] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Programm (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 281.95 (previous year CHF 231.20); definitive acquisition of the option ("vesting") dependent on various conditions, 2-4-year blocking period (3 tranches at 33.3%), market value of CHF 23.65 (previous year CHF 24.34) determined using the binomial method.

[4] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 281.95 (previous year CHF 231.20); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches of 25%), market value of CHF 23.65 (previous year CHF 24.34) determined using the binomial method.

[5] Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).

[6] Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

[7] The remuneration of A. Baehny as Chairman of the Board of Directors is compensated with his total CEO remuneration.

The parameters taken into consideration in the option valuation model are set out in
→ **Note 18 Participation plans of the consolidated financial statements**.

6.3. Shareholdings of Group Executive Board

As of the end of 2014 and 2013, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	M. Reinhard	K. Spachmann	Total
2014							
Shareholdings Group Executive Board							
Shares			46,969	31,280	2,000	5,000	85,249
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	0.23%
Call options[1]							
Vesting period:							
Vested	2015–2017	207.40	0	0	0	1,038	1,038
2015	2016–2018	228.00	1,792	957	1,017	483	4,249
2016	2017	205.50	6,665	1,417	1,542	1,330	10,954
2014–2017	2020	231.20	24,471	7,014	7,016	5,620	44,121
2015–2018	2021	281.95	30,760	10,810	10,559	9,592	61,721
Total options			**63,688**	**20,198**	**20,134**	**18,063**	**122,083**
Percentage potential share of voting rights options			0.17%	< 0.1%	< 0.1%	< 0.1%	0.32%

[1] Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen-sen	M. Reinhard	K. Spachmann	Total
2013								
Shareholdings Group Executive Board								
Shares			45,201	20,000	1,489	1,940	3,084	71,714
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%
Call options[1]								
Vesting period:								
Vested	2014–2016	217.60	1,792	957	0	1,017	1,038	4,804
2014	2015–2017	198.53	11,742	4,220	1,891	3,560	2,619	24,032
2015	2016	228.00	1,792	957	753	1,017	483	5,002
2016	2017	205.50	6,665	1,417	1,176	1,542	1,330	12,130
2014–2017	2020	231.20	25,116	7,356	4,968	7,016	5,620	50,076
Total options			**47,107**	**14,907**	**8,788**	**14,152**	**11,090**	**96,044**
Percentage potential share of voting rights options			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.25%

[1] Purchase ratio 1 share for 1 option

As of December 31, 2014, there were no outstanding loans or credits between the company and members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

7. Summary of share and option plans 2014

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

In 2014 employees, management and members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 18** of the consolidated financial statements. Under the three different **share plans**, the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF[1]
Employee share purchase plan 2014 (ESPP)	2016	1,845	20,687	155.07
Management share purchase plan 2014 (MSPP)	2017	70	13,320	281.95
Directors program 2014 (DSPP)	2018	6	3,505	281.95
Total			**37,512**	

[1] ESPP: The issuing price is the average closing price during the subscription period (4.–17.3.2014) with a discount of 45% based on the company's performance in 2014, per plan rules.
MSPP and DSPP: Issuing price corresponds to the average closing price of the share during the 10 trading days prior to the grant date.

The 37,512 shares required for these plans were taken from the stock of treasury shares.

In 2014 Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2014 (MSPP)	2015–2018	2021	70	13,320	281.95
Option plan 2014 (MSOP) / Group Executive Board	2016–2018	2021	5	64,647	281.95
Option plan 2014 (MSOP) / Other management	2015–2018	2021	64	62,428	281.95
Total				**140,395**	

The fair value of the options grant in 2014 amounted to CHF 23.65 at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price[1] CHF	Expected volatility %	Expected Ø dividend yield %	Contractual period Years	Risk free interest rate %
Management share purchase plan 2014 (MSPP)	281.95	13.500	3.80	7	0.868
Option plan 2014 (MSOP)	281.95	13.500	3.80	7	0.868

[1] The exercise price corresponds to the average price of Geberit shares for the period from 4.–17.3.2014.

Costs resulting from participation plans amounted to CHF 2.9 million in 2014 (prior year 2.6 million), those for option plans totaled 2.5 million (prior year 2.6 million).

8. Summary of shares and options held by employees and management as of December 31, 2014

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

Geberit is committed to a vigilant management of equity dilution. As of December 31, 2014, the Board of Directors, the Group Executive Board and the employees owned a combined total of 340,295 (previous year 338,788) shares, i.e. 0.9% (previous year 0.9%) of the share capital of Geberit AG.

The following table summarizes all option plans in place as of December 31, 2014:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2015–2017	30,847	208.06	30,847	208.06
2015	2016–2021	66,615	244.72	66,615	244.72
2016	2017–2021	100,838	241.58	100,838	241.58
2017	2018–2021	66,687	260.06	66,687	260.06
2018	2021	37,928	281.95	37,928	281.95
Total		**302,915**	**247.98**	**302,915**	**247.98**

The following movements took place in 2014 and 2013:

	MSOP		MSPP		Total 2014		Total 2013	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	**233,291**	**214.91**	**30,603**	**201.86**	**263,894**	**213.39**	**251,305**	**185.51**
Granted options	127,075	281.95	13,320	281.95	140,395	281.95	107,172	231.20
Forfeited options	16,059	252.65	725	188.73	16,784	249.89	4,624	207.12
Expired options	0	0	0	0	0	0	35	146.60
Exercised options	69,852	197.16	14,738	190.96	84,590	196.08	89,924	157.03
Outstanding December 31	**274,455**	**248.26**	**28,460**	**245.33**	**302,915**	**247.98**	**263,894**	**213.39**
Exercisable at December 31	22,433	211.59	8,414	198.65	30,847	208.06	29,509	184.88

The options outstanding at December 31, 2014 had an exercise price of between CHF 189.10 and CHF 281.95 and an average remaining contractual life of 4.7 years.

Report of the statutory auditor

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Report of the Statutory Auditor
to the General Meeting
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Consolidated Financial Statements

We have audited the → remuneration report dated 3 March 2015 of Geberit AG for the year ended 31 December 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger Audit expert Auditor in charge	Martin Knöpfel Audit expert

Zurich, March 3, 2015

Finan-cial Report

Geberit Group 2014

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Geberit Group

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Consolidated Balance Sheets

	Note	31.12.2014 MCHF	31.12.2013 MCHF
Assets			
Current assets			
Cash and cash equivalents		749.7	538.1
Marketable securities	6	0.0	74.7
Trade accounts receivable	7	125.3	114.8
Other current assets and current financial assets	8	55.9	53.4
Inventories	9	205.7	170.9
Total current assets		**1,136.6**	**951.9**
Non-current assets			
Property, plant and equipment	10	550.9	536.4
Deferred tax assets	19	76.3	55.8
Other non-current assets and non-current financial assets	11	22.4	36.4
Goodwill and intangible assets	12	645.3	645.5
Total non-current assets		**1,294.9**	**1,274.1**
Total assets		**2,431.5**	**2,226.0**

	Note	31.12.2014 MCHF	31.12.2013 MCHF
Liabilities and equity			
Current liabilities			
Short-term debt	13	3.9	4.0
Trade accounts payable		62.3	61.6
Tax liabilities and tax provisions		78.3	67.2
Other current provisions and liabilities	14	226.3	146.7
Total current liabilities		**370.8**	**279.5**
Non-current liabilities			
Long-term debt	15	6.6	7.7
Accrued pension obligations	17	256.5	188.9
Deferred tax liabilities	19	48.4	51.2
Other non-current provisions and liabilities	20	32.1	34.6
Total non-current liabilities		**343.6**	**282.4**
Shareholders' equity			
Capital stock	22	3.8	3.8
Reserves		1,944.0	1,886.2
Cumulative translation adjustments		-230.7	-225.9
Total equity		**1,717.1**	**1,664.1**
Total liabilities and equity		**2,431.5**	**2,226.0**

The accompanying → Notes are an integral part of the consolidated financial statements.

Consolidated Income Statements

	Note	2014 MCHF	2013 MCHF
Revenue from sales	29	**2,089.1**	**1,999.9**
Cost of materials		604.2	597.2
Personnel expenses		483.9	475.4
Depreciation	10	77.0	76.6
Amortization of intangible assets	12	3.2	5.5
Other operating expenses, net	24	343.9	334.5
Total operating expenses, net		1,512.2	1,489.2
Operating profit (EBIT)		**576.9**	**510.7**
Financial expenses	25	-4.0	-4.8
Financial income	25	2.1	3.4
Foreign exchange loss (-) /gain	25	0.2	-4.1
Financial result, net		-1.7	-5.5
Profit before income tax expenses		**575.2**	**505.2**
Income tax expenses	26	76.6	69.4
Net income		**498.6**	**435.8**
- Attributable to shareholders of Geberit AG		498.6	435.8
EPS (CHF)	23	13.28	11.59
EPS diluted (CHF)	23	13.26	11.58

The accompanying → Notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Note	2014 MCHF	2013 MCHF
Net income according to the income statement		**498.6**	**435.8**
Cumulative translation adjustments		-4.8	7.3
Taxes		0.0	0.0
Cumulative translation adjustments, net of tax		**-4.8**	**7.3**
Cashflow hedge accounting	16	-71.5	0.0
Taxes		10.2	0.0
Cashflow hedge accounting, net of tax		**-61.3**	**0.0**
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		**-66.1**	**7.3**
Remeasurements of pension plans	17	-82.3	51.6
Taxes		17.2	-9.0
Remeasurements of pension plans, net of tax		**-65.1**	**42.6**
Total other comprehensive income not reclassified to the income statement in subsequent periods, net of tax		**-65.1**	**42.6**
Total other comprehensive income, net of tax		**-131.2**	**49.9**
Total comprehensive income		**367.4**	**485.7**
- Attributable to shareholders of Geberit AG		367.4	485.7

The accompanying → **Notes** are an integral part of the consolidated financial statements.

Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge accounting	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2012	**3.9**	**2,017.9**	**-228.4**	**-128.9**	**0.0**	**-233.2**	**1,431.3**
Net income		435.8					435.8
Other comprehensive income				42.6		7.3	49.9
Distribution		-248.2					-248.2
Share buyback program							0.0
Purchase (-) /Sale of treasury shares		8.0	-9.7				-1.7
Management option plans		-3.0					-3.0
Capital reduction	-0.1	-197.5	197.6				0.0
Balance at 31.12.2013	**3.8**	**2,013.0**	**-40.5**	**-86.3**	**0.0**	**-225.9**	**1,664.1**
Net income		498.6					498.6
Other comprehensive income				-65.1	-61.3	-4.8	-131.2
Distribution		-282.0					-282.0
Share buyback program			-37.4				-37.4
Purchase (-) /Sale of treasury shares		8.8	-0.4				8.4
Management option plans		-3.4					-3.4
Capital reduction							0.0
Balance at 31.12.2014	**3.8**	**2,235.0**	**-78.3**	**-151.4**	**-61.3**	**-230.7**	**1,717.1**

The accompanying → **Notes** are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2014 MCHF	2013 MCHF
Cash provided by operating activities			
Net income		498.6	435.8
Depreciation and amortization	10/12	80.2	82.1
Financial result, net	25	1.7	5.5
Income tax expenses	26	76.6	69.4
Other non-cash income and expenses		18.1	20.7
Operating cashflow before changes in net working capital and taxes		675.2	613.5
Income taxes paid		-64.5	-56.0
Changes in trade accounts receivable		-2.6	-0.7
Changes in inventories		-35.0	-7.3
Changes in trade accounts payable		0.5	3.0
Changes in other positions of net working capital		1.9	7.4
Net cash from/used (-) in operating activities		**575.5**	**559.9**
Cash from/used (-) in investing activities			
Purchase of property, plant & equipment and intangible assets	10/12	-104.8	-98.0
Proceeds from sale of property, plant & equipment and intangible assets		2.5	2.8
Marketable securities, net	6	73.1	-12.1
Interest received		3.2	2.9
Other, net		-0.3	2.5
Net cash from/used (-) in investing activities		**-26.3**	**-101.9**
Cash from/used (-) in financing activities			
Repayments of borrowings		-4.2	-4.0
Interest paid		0.0	-0.5
Distribution		-282.0	-248.2
Share buyback program		-37.4	0.0
Purchase (-) /Sale of treasury shares		-4.5	-26.8
Other, net		-8.9	-0.5
Net cash from/used (-) in financing activities		**-337.0**	**-280.0**
Effects of exchange rates on cash and cash equivalents		-0.6	-1.2
Net increase/decrease (-) in cash and cash equivalents		**211.6**	**176.8**
Cash and cash equivalents at beginning of year		538.1	361.3
Cash and cash equivalents at end of year		**749.7**	**538.1**

The accompanying → Notes are an integral part of the consolidated financial statements.

For further cashflow figures see → Note 28

Notes to the Consolidated Financial Statements

1. Basic information and principles of the report

The Geberit Group is a leading supplier of sanitary technology products for the residential and commercial new construction and renovation markets. The product range of the Group consists of the Sanitary Systems product area with the Installation Systems, Cisterns & Mechanisms, Faucets & Flushing Systems and Waste Fittings & Traps product lines, and the Piping Systems product area with the Building Drainage Systems and Supply Systems product lines. Worldwide, all products are sold through the wholesale channel. Geberit sells its products in more than 120 countries. The Group is present in 42 countries with its own sales employees.

The consolidated financial statements include Geberit AG and all companies under its control ("the Group" or "Geberit"). The Group eliminates all intra-group transactions as part of the Group consolidation process. Companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The term "MCHF" in these consolidated financial statements refers to millions of Swiss francs, "MEUR" refers to millions of euros, "MGBP" refers to millions of Britain pounds sterling and "MUSD" refers to millions of US dollars. The term "shareholders" refers to the shareholders of Geberit AG.

Main sources of estimation uncertainty
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Important estimates and assumptions (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (→ **Note 12**)
- Capitalization of development costs (→ **Note 27**)
- Assumptions for the recognition of defined benefit pension plans (→ **Note 17**)
- Future development of tax rates (→ **Note 3**)

2. Changes in Group structure

2014:

The following companies were newly founded:

- Geberit RUS LLC., Moscow
- Geberit Finanz AG, Rapperswil-Jona
- Geberit Investment Oy, Vantaa (Helsinki)

2013:

No material changes in the Group organization took place.

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2014 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosure of Interests in other entities; IAS 27 – Separate Financial Statements	1.1.2014	Amendments related to investment companies. These amendments have no impact on the consolidated financial statements.	1.1.2014
IAS 19 – Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1.7.2014	The amendment clarifies the application of IAS 19R to post-employment benefit plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows contributions that are linked to service, and do not vary with length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. This amendment of IAS 19 was adopted early to take the option of continuing with the present calculation method (without risk sharing).	1.1.2013
IAS 32 – Financial Instruments: Presentation	1.1.2014	Clarification related to the offsetting of financial assets and financial liabilities. This amendment has no material impact on the consolidated financial statements.	1.1.2014
IAS 36 – Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	1.1.2014	This limited scope amendment corrects an amendment to IAS 36 when IFRS 13 was issued and introduces additional disclosures for measurements based on fair value less costs of disposal in case of an impairment or reversal of an impairment. This amendment has no material impact on the consolidated financial statements.	1.1.2013
IAS 39 – Financial Instruments: Recognition and Measurement	1.1.2014	Clarification that there is no need to discontinue hedge accounting if a hedging derivative is novated. This amendment has no impact on the consolidated financial statements.	1.1.2014
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary annual clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements	various

New or revised IFRS standards and interpretations as from 2015 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 9 – Financial Instruments	1.1.2018	The complete version of IFRS 9 'Financial Instruments' includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. This amendment has no material impact on the consolidated financial statements.	1.1.2018
IFRS 10 – Consolidated Financial Statements; IAS 28 – Investments in Associates and Joint Ventures	1.1.2016	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments have no impact on the consolidated financial statements.	1.1.2016
IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosure of Interests in Other Entities; IAS 28 – Investments in Associates and Joint Ventures	1.1.2016	The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. These amendments have no impact on the consolidated financial statements.	1.1.2016
IFRS 11 – Joint Arrangements	1.1.2016	The additional guidance clarifies that the acquisition of an interest in a joint operation that meets the definition of a business under IFRS 3 is not a business combination as the acquiring party does not obtain control. This amendment has no impact on the consolidated financial statements.	1.1.2016

New or revised IFRS standards and interpretations as from 2015 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IFRS 15 – Revenue from Contracts with Customers	1.1.2017	The new standard on the recognition of revenue from contracts with customers is based on a five step approach: 1) Identify the contract with the customer 2) Identify the separate performance obligations in the contract 3) Determine the transaction price 4) Allocate the transaction price to separate performance obligations 5) Recognize revenue when a performance obligation is satisfied These amendments will have an impact on the consolidated financial statements. According to the ongoing assessment, no material impact is expected.	1.1.2017
IAS 16 – Property, Plant and Equipment; IAS 38 – Intangible Assets	1.1.2016	Clarifies which principle for the basis of depreciation and amortization can be used. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This amendment has no impact on the consolidated financial statements.	1.1.2016
IAS 27 – Separate Financial Statements	1.1.2016	The amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment has no impact on the consolidated financial statements.	1.1.2016
Annual improvements of IFRS and interpretations (IFRIC)	various	The ordinary annual clarifications and minor amendments of various standards and interpretations have no material impact on the consolidated financial statements.	various

Foreign currency translation
The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to the income statement. Exchange rate differences related to loans that are part of the net investment in foreign entities are recorded in → **"other comprehensive income"** and disclosed as cumulative translation adjustments. For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are recorded in → **"other comprehensive income"** and disclosed as cumulative translation adjustments.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The carrying amount of cash and cash equivalents approximates to their fair value due to the short-term maturities of these instruments.

Marketable securities
Marketable securities are principally traded in liquid markets. Marketable securities with a remaining time to maturity of 4 to 12 months or which are purchased with the intention of selling them in the near future have to be measured at their fair value through the income statement.

Inventories
Inventories are stated at the lower of historical or manufacturing costs, or net realizable value. The manufacturing costs comprise all directly attributable costs of material and manufacture and other costs incurred in bringing the inventories to their present location and condition. Historical cost is determined using the weighted average cost formula, while the manufacturing cost is determined using the standard cost formula. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

Property, plant and equipment
Property, plant and equipment are carried at historical or manufacturing costs less accumulated depreciation. Betterment that increases the useful lives of the assets, substantially improves the quality of the output, or enables a substantial reduction in operating costs is capitalized and depreciated over the remaining useful lives. Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–25 years), molds (4–6 years), equipment and furnishings (4–25 years) and vehicles (5–10 years). Properties are not m^{2}ly depreciated. Repair and maintenance related to investments in property, plant and equipment is charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalized during the construction phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period (generally more than a year) is required to transform it to its planned usable condition. If funds are specifically borrowed, the costs that can be capitalized are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalized must be determined by applying a capitalization rate to the expenses related to this asset.

If there is any indication for impairment, the actual carrying amount of the asset is compared to its recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced accordingly and charged to the income statement.

Intangible assets and goodwill
The Group records goodwill as the difference between the purchase price and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the purchase price, this gain is credited immediately to the income statement.

Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill and intangible assets with an indefinite useful life are not regularly amortized but tested for impairment on an annual basis. Since the Geberit trademark is an inherent element of the business model of the Geberit Group and therefore is used over an indefinite time period, it is assigned with an indefinite useful life. Impairments are recorded immediately as expenses in the consolidated income statements, and in the case of goodwill, not reversed in subsequent periods. The amortization of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (10 years), trademarks (5 years), software (4–6 years) and capitalized development costs (6 years).

Valuation of intangible assets and goodwill
Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date, at least. In this process, the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist. The Geberit trademark is valued at Group level.

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period of four years) and the assumptions therein concerning development of prices, markets and the Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → Note 12.

Provisions
The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and when a reasonable estimate of the size of the obligation can be made. The Group warrants its products against defects and accrues provisions for such warranties at the time of sale based on estimated claims. Actual warranty costs are charged against the accrued provisions when incurred.

Revenue from sales
Revenue from sales is recognized when the risks and rewards are transferred to the customer, which normally happens when the products are shipped to the customer, i.e. when the products are handed over to the carrier at the ramp of a Geberit logistics center. Revenue from sales includes the invoiced net amounts after deduction of the rebates shown on the invoice. Customer bonuses and cash discounts granted subsequently are deducted as well.

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognized on receipt of timely payments. Development of these indicators, which are material to Geberit's business model, is shown in the "Segment reporting" (see → Note 29).

Marketing expenses
All costs associated with advertising and promoting products are recorded as expenses in the financial period during which they are incurred.

Taxes
The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Significant judgement is required in determining the worldwide provision for income taxes. The accounting for income taxes is subject to the changes of future tax rates, local tax assessments of transactions and specific calculations. As such the accounting for income taxes is subject to estimates and uncertainty. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realization of future tax savings related to tax loss carryforwards and other deferred tax assets is no longer probable, then the deferred tax assets are reduced accordingly.

A liability for deferred taxes is recognized only for non-refundable taxes at source and other earning distribution-related taxes for subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy (see → Note 19).

Research and development expenditures
The majority of the expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overhead, and these are charged directly to the income statement. The residual expenses relate to development costs for new products. If these concern major development projects, they are reviewed at each balance sheet date in order to verify if the capitalization criteria of IAS 38.57 are fulfilled. In the case that all criteria are fulfilled, the expenses are capitalized and amortized over a period of six years (see → Note 27).

Retirement benefit plans
The Group manages different employee pension funds structured as both defined benefit and defined contribution plans. These pension funds are governed by the regulations of the countries in which the Group operates.

For defined benefit plans, the present value of the defined benefit obligation is calculated periodically by independent pension actuaries using the projected unit credit method on the basis of the service years and the expected salary and pension trends. Actuarial gains and losses are immediately recognized in other comprehensive income as "Remeasurements pension plans". This item also includes the return on plan assets/reimbursement rights (excluding the interest based on the discount rate) and any effects of an asset ceiling adjustment. For defined benefit plans with an independent pension fund, the funded status of the pension fund is included in the consolidated balance sheet. Any surplus is capitalized in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognized in the income statement in the period in which they occur.

For defined contribution plans, the annual costs are calculated as a percentage of the pensionable salaries and are also charged to the income statement. Except for the contributions, the Group does not have any other payment obligations.

Participation plans
Rebates granted to employees when buying Geberit shares under share purchase plans are charged to the income statement in the year the programs are offered.

The fair value of the options allotted as part of the management long term incentive and the management share purchase plan is determined at the grant date and charged on a straight-line basis to personnel expenses over the vesting period. The values are determined using the binomial model.

Earnings per share
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programs. The dilution from option programs is determined on the basis of the number of ordinary shares that could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

Financial instruments
Trade accounts receivable and other current assets are carried at amortized cost less allowances for credit losses. Trade accounts payable and other payables are carried at amortized cost. The carrying amount of such items basically corresponds to its fair value.

The recognition and measurement of marketable securities is described in the section → "Marketable securities".

Debt is initially recorded at fair value, net of transaction costs, and measured at amortized cost according to the effective interest rate method. The Group classifies debt as non-current when, at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution (see → Note 16).

Hedge accounting
Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognized in → "other comprehensive income". The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cashflow hedges recognized in equity through the consolidated statements of comprehensive income are recorded in the income statement in the period in which the cashflow from the hedged transaction is recognized in the income statement.

4. Risk assessment and management

General
The Geberit Group runs a risk-management system approved by the Board of Directors.

The policy defines a structured process according to which the business risks are systematically managed. In this process, risks are identified, analyzed and evaluated concerning the likelihood of occurrence and magnitude, and risk-control measurements are determined. Each member of management is responsible for the implementation of the risk-management measures in his area of responsibility. The Board of Directors is periodically informed about the major changes in the risk assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit internal control system for financial reporting defines in this regard control measures that reduce the related risks.

Financial risks are monitored by the treasury department of the Geberit Group, which acts in line with the directives of the treasury policy issued by the Group. Risk-management focuses on recognizing, analyzing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

Management of counterparty risks from treasury activities
Financial contracts are agreed only with third parties that have at least an A (S&P) or A2 (Moody's) rating, or are considered to be relevant to the financial system. Management believes that the risk of losses from the existing contracts is remote.

In general, liquid funds are invested for less than three months. Part of the liquid funds is invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally put into fixed-term deposits at banks. To avoid cluster risks, the value of an investment per third party may not exceed MCHF 50 (or MCHF 70 for the major Swiss banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

Management of foreign exchange rate risk
The Geberit Group generates sales and profits in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. in order to limit such risks, the concept of "natural hedging" is considered as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralized with cash outflows of the same currency. For the most important currencies EUR (approx. 70% of sales) and USD (approx. 5% of sales), in principle, the relative portion of sales and costs is almost equal. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent; i.e. the Group is exposed to a relatively small transaction risk. However, the translation risk that results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation, despite the effective "natural hedging". The Group does not hedge translation risks.

Any remaining currency risks are measured with the value-at-risk (VaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the fair value of foreign currency positions and therefore on the financial result of the Group is evaluated. The risk is controlled with the key figure (VaR +/- unrealized gains/losses from foreign exchange positions)/equity. Based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The limit for the key figure is determined annually and amounts to 0.5% (PY: 0.5%) of equity for the reporting period.

The following parameters have been used for the calculation of the value-at-risk (VaR):

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	30 days

Foreign exchange rate risk as of December 31:

	2014 MCHF	2013 MCHF
Value-at-risk +/- unrealized gains/losses	3.0	3.2
Equity	1,717.1	1,664.1
(Value-at-risk +/- unrealized gains/losses)/equity	**0.2%**	**0.2%**

Management of interest rate risk
Basically, two types of interest rate risk exist:

a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

The fair market value risk does not have a direct impact on the cashflows and results of the Group. Therefore, it is not measured. The refinancing risk of positions with fixed interest rates is taken into account with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

The interest rate risk is measured using the cashflow-at-risk (CfaR) method for the interest balance (including financial positions bearing fixed interest rates with a maturity under 12 months). By using statistical methods, the effect of probable interest rate changes on the cashflow of a financial position is evaluated. The calculation of the CfaR is based on the same model as the calculation of the value-at-risk regarding the foreign exchange rate risk.

The Group's risk is controlled with the key figure EBITDA/(financial result, net, for the coming 12 months + CfaR). Based on internal limits, it is decided whether any hedging measures have to be taken. The limit is reviewed annually and amounts to a minimum of 20 for the reporting period (PY: 20).

Interest rate risk as of December, 31:

	2014 MCHF	2013 MCHF
EBITDA	657.1	592.8
Financial result, net + CfaR	0.9	1.7
EBITDA/(Financial result, net + CfaR)	**730x**	**349x**

Combined foreign exchange rate and interest rate risk
The following table shows the combined foreign exchange rate and interest rate risk according to the calculation method of the value-at-risk model, and includes all foreign exchange rate risk, and interest rate risk positions and instruments described above. Foreign exchange rate risks and interest rate risks are monitored with the key figures as previously mentioned.

	2014 MCHF	2013 MCHF
Combined foreign exchange rate and interest rate risk	4.1	5.6

Management of liquidity risk
Liquid funds (including the committed unused credit lines) must be available in order to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortization payments and capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 864.7 (PY: MCHF 590.5).

The liquidity required for the acquisition of Sanitec is covered by a deal-specific credit facility and surplus liquid funds.

Management of credit risk
Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers' financial situation are performed and, generally, no further collateral is required. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of receivables at year-end is not representative because of the low sales volume in December. In 2014, the average balance of receivables is about 150% of the amount at year-end.

Summary

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed in order to make sure that they meet the requirements of financial markets, changes in the Group organization and regulatory obligations. Management is informed on a regular basis with key figures and reports about the compliance with the defined limits. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

Type of risk	Key figure	2014	2013
Foreign exchange rate risk	(VaR +/- unrealized gains/losses)/equity	0.2%	0.2%
Interest rate risk	EBITDA/(financial result, net + CfaR)	730x	349x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 864.7	MCHF 590.5

5. Management of capital

The objectives of the Group regarding the management of the capital structure are as follows:

- ensure sufficient liquidity to cover all liabilities
- guarantee an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating
- ensure an attractive distribution policy

in order to maintain or change the capital structure, the following measures can be taken:

- adjustment of the distribution policy
- share buyback programs
- capital increases
- incur or repay debt

Further measures to guarantee an efficient use of the invested capital and therefore also to achieve attractive returns are:

- active management of net working capital
- demanding objectives regarding the profitability of investments
- clearly structured innovation process

The invested capital is composed of net working capital, property, plant and equipment, goodwill, and intangible assets.

The periodic calculation and reporting of the following key figures to the management ensures the necessary measures in connection with the capital structure can be taken in a timely manner.

The relevant values as of December 31 are outlined below:

	2014 MCHF	2013 MCHF
Gearing		
Debt	10.5	11.7
Liquid funds and marketable securities	749.7	612.8
Net debt	-739.2	-601.1
Equity	1,717.1	1,664.1
Net debt/equity	**-43.0%**	**-36.1%**
Return on equity (ROE)		
Equity (rolling)	1,706.7	1,546.2
Net income	498.6	435.8
ROE	**29.2%**	**28.2%**
Return on invested capital (ROIC)		
Invested capital (rolling)	1,404.5	1,366.0
Net operating profit after taxes (NOPAT)	497.9	437.9
ROIC	**35.5%**	**32.1%**

6. Marketable securities

The government bonds bought in 2013 (Germany and Austria) at a par value of MEUR 60.0 were fully repaid in 2014.

7. Trade accounts receivable

	2014 MCHF	2013 MCHF
Trade accounts receivable	135.1	123.0
Allowances	-9.8	-8.2
Total trade accounts receivable	**125.3**	**114.8**

Of trade accounts receivable, MCHF 4.8 was denominated in CHF (PY: MCHF 5.3), MCHF 63.8 in EUR (PY: MCHF 62.4), MCHF 16.2 in USD (PY: MCHF 13.3), and MCHF 11.3 in GBP (PY: MCHF 9.0).

The following table shows the movements of allowances for trade accounts receivable:

	2014 MCHF	2013 MCHF
Allowances for trade accounts receivable		
January 1	**8.2**	**8.3**
Additions	2.4	1.5
Used	-0.5	-1.1
Reversed	-0.2	-0.5
Translation differences	-0.1	0.0
December 31	**9.8**	**8.2**

	2014 MCHF	2013 MCHF
Maturity analysis of trade accounts receivable		
Not due	106.4	90.8
Past due < 30 days	14.1	18.5
Past due < 60 days	5.7	4.8
Past due < 90 days	1.3	1.5
Past due < 120 days	0.6	0.7
Past due > 120 days	7.0	6.7
Allowances	-9.8	-8.2
Total trade accounts receivable	**125.3**	**114.8**

8. Other current assets and current financial assets

	2014 MCHF	2013 MCHF
Income tax refunds receivable	2.2	2.9
Value-added tax receivables	38.3	34.4
Short-term derivative financial instruments (see → Note 16)[1]	0.8	2.9
Prepaid expenses and other current assets	14.6	13.2
Total other current assets and current financial assets	**55.9**	**53.4**

[1] Is not part of the calculation of net working capital

9. Inventories

	2014 MCHF	2013 MCHF
Raw materials, supplies and other inventories	69.6	61.6
Work in progress	45.5	33.6
Finished goods	79.7	68.0
Merchandise	10.8	7.3
Prepayments to suppliers	0.1	0.4
Total inventories	**205.7**	**170.9**

As of December 31, 2014, inventories included allowances for slow-moving and obsolete items of MCHF 21.7 (PY: MCHF 21.2).

10. Property, plant and equipment

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF	Assets under constr. / advance payments MCHF
2014					
Cost at beginning of year	1,315.1	376.4	834.5	56.8	47.4
Additions	94.2	12.8	40.3	4.4	36.7
Disposals	-12.6	-1.3	-6.7	-4.6	
Transfers	0.0	8.5	20.2	0.2	-28.9
Translation differences	-4.6	-0.2	-4.4	0.1	-0.1
Cost at end of year	**1,392.1**	**396.2**	**883.9**	**56.9**	**55.1**
Accumulated depreciation at beginning of year	778.7	150.3	585.3	43.1	0.0
Depreciation	77.0	10.9	61.1	5.0	
Disposals	-11.8	-1.2	-6.2	-4.4	
Translation differences	-2.7	-0.2	-2.7	0.2	
Accumulated depreciation at end of year	**841.2**	**159.8**	**637.5**	**43.9**	**0.0**
Carrying amounts at end of year	**550.9**	**236.4**	**246.4**	**13.0**	**55.1**
2013					
Cost at beginning of year	1,251.6	361.3	795.8	56.8	37.7
Additions	90.6	11.2	36.3	2.9	40.2
Disposals	-33.9	-0.7	-29.8	-3.4	
Transfers	0.0	3.0	27.0	0.4	-30.4
Translation differences	6.8	1.6	5.2	0.1	-0.1
Cost at end of year	**1,315.1**	**376.4**	**834.5**	**56.8**	**47.4**
Accumulated depreciation at beginning of year	730.4	138.9	550.6	40.9	0.0
Depreciation	76.6	11.3	59.8	5.5	
Disposals	-32.1	-0.4	-28.4	-3.3	
Translation differences	3.8	0.5	3.3		
Accumulated depreciation at end of year	**778.7**	**150.3**	**585.3**	**43.1**	**0.0**
Carrying amounts at end of year	**536.4**	**226.1**	**249.2**	**13.7**	**47.4**

As of December 31, 2014, buildings were insured at MCHF 440.0 (PY: MCHF 433.6) and equipment at MCHF 955.2 (PY: MCHF 928.4) against fire, which amounts to a total fire insurance value for property, plant and equipment of MCHF 1,395.2 (PY: MCHF 1,362.0).

As of December 31, 2014, there were no qualified assets for which borrowing costs were capitalized during the production phase. As of December 31, 2014, the Group had entered into firm commitments for capital expenditures of MCHF 9.0 (PY: MCHF 20.0).

11. Other non-current assets and non-current financial assets

	2014 MCHF	2013 MCHF
Reinsurance policies for pension obligations (see → Note 17)	16.2	13.7
Employer pension contribution reserve (see → Note 17)	0.0	19.5
Deposits	1.4	0.9
Capitalized transaction costs	3.3	0.3
Other	1.5	2.0
Total other non-current assets and non-current financial assets	**22.4**	**36.4**

The capitalized transaction costs in 2014 amounting to MCHF 3.3 are all related to the financing of the Sanitec acquisition (see → Note 32).

12. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks and other intangible assets[1] MCHF
2014				
Cost at beginning of year	1,092.8	775.9	127.2	189.7
Additions	10.6			10.6
Disposals	-7.6			-7.6
Translation differences	-9.3	-10.1		0.8
Cost at end of year	**1,086.5**	**765.8**	**127.2**	**193.5**
Accumulated amortization at beginning of year	447.3	227.9	127.2	92.2
Amortization	3.2			3.2
Disposals	-7.6			-7.6
Translation differences	-1.7	-2.0		0.3
Accumulated amortization at end of year	**441.2**	**225.9**	**127.2**	**88.1**
Carrying amounts at end of year	**645.3**	**539.9**	**0.0**	**105.4**
2013				
Cost at beginning of year	1,079.8	768.6	127.3	183.9
Additions	7.4			7.4
Disposals	-0.8			-0.8
Translation differences	6.4	7.3	-0.1	-0.8
Cost at end of year	**1,092.8**	**775.9**	**127.2**	**189.7**
Accumulated amortization at beginning of year	441.7	226.2	124.4	91.1
Amortization	5.5		2.8	2.7
Disposals	-0.8			-0.8
Translation differences	0.9	1.7		-0.8
Accumulated amortization at end of year	**447.3**	**227.9**	**127.2**	**92.2**
Carrying amounts at end of year	**645.5**	**548.0**	**0.0**	**97.5**

[1] Others: mainly software and capitalized product development costs (see → Note 27: Research and development expenditures).

Goodwill and intangible assets with an indefinite useful life resulting from acquisitions are analyzed for impairment on an annual basis. As of December 31, 2014, there was no need for an impairment of these assets. The following table shows the carrying amount of positions which are material for the Group. The table shows also the parameters used in the impairment analysis.

	Carrying amount 31.12.2014	Carrying amount 31.12.2013	Calculation of recoverable amount (PY numbers in brackets)			
			Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pre-tax	Discount rate post-tax
	MCHF	MCHF		%	%	%
Goodwill from LBO Geberit	238.0	241.0	U	2.80 (3.00)	7.60 (8.90)	6.90 (7.90)
Goodwill from Mapress acquisition	283.5	289.3	U	2.70 (3.00)	8.80 (10.40)	7.00 (8.20)
Geberit trademarks	84.6	84.6	U	2.80 (3.00)	7.90 (9.20)	6.90 (7.90)
Total	**606.1**	**614.9**				

The growth rates beyond the planning period are based on Euroconstruct estimates and on history-based internal assumptions about price and market share development. From today's perspective, management believes that a possible and reasonable change of one of the crucial parameters (see → Note 3) used to calculate the recoverable amounts would not lead to an impairment. The scenarios used to support this assumption are based specifically on decreases in both, the operating margins and the growth rate beyond the planning periods. Based on the recent decision of the Swiss National Bank (SNB) to stop supporting the Swiss franc, the Group also simulated an impairment test taking into account a strengthening of the Swiss franc by +15% against all other currencies. The simulation did not result in a need for an impairment.

13. Short-term debt

	2014	2013
	MCHF	MCHF
Other short-term debt	3.9	4.0
Total short-term debt	**3.9**	**4.0**

Short-term credit lines
The Group maintains credit lines of MCHF 47.8 (PY: MCHF 48.3) from various lenders, which can be canceled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As of December 31, 2014 and 2013, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Financing of the acquisition of Sanitec is described in detail in → Note 15.

Other short-term debt
As of December 31, 2014, the Group had MCHF 3.9 in other short-term debt (PY: MCHF 4.0). This debt incurred an effective interest rate of 5.5% (PY: 5.9%).

Currency mix
Of the short-term debt outstanding as of December 31, 2014, MCHF 3.9 was denominated in EUR (PY: MCHF 4.0).

14. Other current provisions and liabilities

	2014	2013
	MCHF	MCHF
Compensation-related liabilities	55.4	53.1
Customer-related liabilities	60.5	53.9
Current provisions	2.0	5.1
Value added tax payables	19.5	14.1
Short-term derivative financial instruments (see → Note 16)	71.5	0.0
Other current liabilities	17.4	20.5
Total other current provisions and liabilities	**226.3**	**146.7**

The movements of current provisions for 2014 and 2013 are shown in the following table:

	2014 MCHF	2013 MCHF
Current provisions		
January 1	**5.1**	**2.1**
Additions	1.1	4.2
Used	-1.4	-1.2
Reversed	-2.7	0.0
Translation differences	-0.1	0.0
December 31	**2.0**	**5.1**

15. Long-term debt

	2014 MCHF	2013 MCHF
Credit facilities	0.0	0.0
Other long-term debt	6.6	7.7
Total long-term debt	**6.6**	**7.7**

Credit facilities
On October 14, 2014, various credit facilities were made available to the Group by J. P. Morgan for the purposes of financing the acquisition of Sanitec (see → **Note 32**) and ensuring the Group's financial flexibility. These credit facilities were syndicated to a group of 10 banks as at November 19, 2014. At the same time the Revolving Facility was added. These credit facilities consist of a tranche A ("Bridge Facility"), a tranche B ("Term Loan Facility") and a firmly committed credit line ("Revolving Facility"). In 2014, no drawdown of these credit facilities took place.

The tranche A ("Bridge Facility") of MCHF 900 represents bridge financing and is to be replaced by the issuing of bonds or other debt at a later date. This facility is available to the Group for 12 months, with the option of extending it twice for a period of six months each. The interest rate is variable and is based on the LIBOR rate plus a margin which increases over the term of the facility.

The tranche B ("Term Loan Facility") of MEUR 400 is used for medium-term financing. This facility has a term of three years. The interest rate is variable and is based on the LIBOR rate plus a margin that is dependent on the net debt to EBITDA ratio.

The firmly committed credit line ("Revolving Facility") of around MCHF 300 is intended to ensure the Group's financial flexibility and replaces the existing credit line ("Revolving Facility") of MCHF 150. The new credit line has a term of five years. The interest rate is variable and is based on the LIBOR rate plus a fixed margin. An additional fee is charged if this credit line is drawn down. Standard commitment fees are due for all credit facilities.

The credit facilities are secured by guarantees from Geberit AG and contain covenants and conditions typical for syndicated financing, including compliance with the following financial ratio:

- Net debt/EBITDA: max. 2.50x

Other long-term debt
As of December 31, 2014, the Group had MCHF 6.6 of other long-term debt (PY: MCHF 7.7). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

Currency mix
Of the long-term debt outstanding as of December 31, 2014, MCHF 6.6 was denominated in EUR (PY: CHF 7.7).

16. Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in Notes → 3 and → 4. As of December 31, 2014 and 2013, the following derivative financial instruments were outstanding:

a) Contingent FX Forward Transactions
The following instruments were used to hedge foreign exchange rate risks arising from the acquisition of the Sanitec Group (purchase price hedging):

2014	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Calculation method
			MSEK	MCHF/ MEUR	MCHF	
SEK buy/CHF sell	31.08.2015	7.3560	3900.0	-530.2	-33.7	Mark-to-Market
SEK buy/EUR sell	31.08.2015	8.9263	4830.0	-541.1	-34.9	Mark-to-Market

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

b) Interest rate swaps
The following instruments were used to hedge interest rate risks arising from the financing of the Sanitec Group acquisition (fixation of the interest rate up to the point of bond take-out):

2014	Trade date	Effective date	Termination date	Notional amount	Fixed rate (payer Geberit)	Floating rate (receiver Geberit)	Fair value 31.12.	Calculation method
				MCHF/ MEUR	%	%	MCHF	
Interest rate swap CHF	20.11.2014	29.01.2015	29.01.2019	150.0	0.1020	6 M CHF-LIBOR	-0.8	DCF[1]
Interest rate swap EUR	20.11.2014	29.01.2015	29.01.2021	250.0	0.5622	6 M EUR-EURIBOR	-2.1	DCF[1]

These instruments were designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value is recognized in the Consolidated Statements of Comprehensive Income.

c) Cross Currency Interest Rate Hedges
The following instrument was used to hedge foreign exchange rate risks arising from the intercompany financing of subsidiaries:

2014	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/USD sell	18.12.2015	1.03345	17.6	-17.0	0.8	0.00	0.80	DCF[1]

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 17.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in the financial result, net.

2013	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/USD sell	18.12.2014	1.03345	20.7	-20.0	2.9	0.00	0.50	DCF[1]

[1] Discounted Cash Flow

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 20.0 was not designated as a cash flow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognized directly in financial result, net.

d) Forward foreign exchange contracts and foreign exchange options

						Contract values	Fair value 31.12.	Calculation method
2014	MCZK	MEUR	MNOK	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-7.6	0.0	0.0	-1.2	0.0	-3.0	0.0	Mark-to-Market

2013	MCZK	MEUR	MNOK	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	0.0	-29.0	-3.0	-0.5	-2.5	0.0	0.0	Mark-to-Market

The change in fair value of the instruments is booked in financial result, net.

17. Retirement benefit plans

The Geberit Group manages defined benefit plans for its employees in various countries. Only the Swiss retirement benefit plans, which hold their assets in legally separate pension funds, are funded plans. The biggest plans are managed in Switzerland and Germany, which together account for 98% (PY: 98%) of the total benefit obligations.

The following table provides an overview of the current status of the benefit obligations, plan assets and reimbursement rights of reinsurance policies.

	2014 MCHF	2013 MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	504.3	401.7
Plan assets at fair value	471.0	434.4
Funded status	**-33.3**	**32.7**
Germany		
Benefit obligation (for unfunded retirement benefit plans)	208.6	177.2
Funded status	**-208.6**	**-177.2**
Reimbursement rights	10.3	8.8
Other plans		
Benefit obligation (for unfunded retirement benefit plans)	14.6	11.7
Funded status	**-14.6**	**-11.7**
Reimbursement rights	5.9	4.9
Total		
Benefit obligation (for all retirement benefit plans)	727.5	590.6
Plan assets at fair value	471.0	434.4
Funded status	**-256.5**	**-156.2**
Reimbursement rights	16.2	13.7

Swiss retirement benefit plans
The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) governs occupational benefits in Switzerland. An employer with employees who must be insured is obliged to set up an independent pension fund entered in the register for occupational pension providers or affiliate with such a pension fund. The "Gemeinschaftsstiftung" of the Geberit Group is a foundation legally independent from the Geberit Group that insures all Geberit employees in Switzerland for compulsory and non-compulsory benefits. The Board of Trustees manages the Foundation and consists of employer and employee representatives in a parity ratio. The tasks of the Board of Trustees are set out in the BVG and the regulations based on the BVG adopted by the Board of Trustees.

The benefits provided by the pension plan exceed the minimum prescribed by law. They are funded by the employer and employee contributions, plus the interest paid on the savings assets of the insured party at an interest rate defined annually by the Board of Trustees in accordance with the legal provisions. If an insured party leaves the Geberit Group and/or the pension plan before reaching retirement age, the vested benefits accrued under the BVG are transferred to the new pension fund of the insured party. In addition to the funds brought into the pension plan by the insured party, these vested benefits consist of the employer and employee contributions, plus a supplement prescribed by law. The pension benefits comprise lifelong retirement pensions, disability benefits and death benefits for the surviving dependents. On retirement, a maximum of 50% of the retirement assets can be withdrawn in the form of a lump sum. The employer and employees pay an equal contribution to the pension fund, which is settled monthly. The contribution amount is determined by the employee's age and is calculated as a percentage of the pensionable salary.

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The current financial status of the Swiss BVG-based pension plans does not require any remedial measures; the technical funding ratio of this Foundation in accordance with the BVG was 116.6% as of December 31, 2014 (December 31, 2013: 113.6%).

If a pension fund is overfunded as defined in IAS 19, the surplus funds are available to the company only to a very limited extent. The economic benefit for Geberit lies in future reductions in contributions and is calculated in accordance with IFRIC 14.

The Board of Trustees is responsible for deciding on a strategy for investment of the plan assets. The objective is to achieve medium-term and long-term congruence and sustainability between the plan assets and the pension obligations under the BVG. Taking into account the foundation's risk capacity, the investment strategy is defined as a targeted long-term investment structure.

The funded plans also include the "Wohlfahrtsfonds" of the Geberit Group, which provides non-compulsory benefits only. This fund for managerial employees supplements the insurance cover granted by the "Gemeinschaftsstiftung". On retirement, the benefit is drawn as a lump sum or converted into a fixed-term annuity. The employer's contributions must equal at least the total of all contributions by the insured party.

German retirement benefit plans
In Germany, there are capital account plans and annuity plans. The annuity plans are closed-end funds.

Capital account plans
The benefit plans and guidelines for payout are agreed in labor-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labor-management contracts or individual agreements, sometimes with annuity options. There is no minimum financing obligation.

Every year, a pension contribution is determined as a percentage of the pensionable salary or the employees can choose an amount of deferred compensation with or without employer contributions. This then serves as the age-dependent component on which a pension is accrued. The pension components accrued during the years of active service, including any resulting promises of fixed bonus payments and the initial credit from the transitional arrangement, are paid out in the form of a one-off lump sum or in installments. Annuitization is possible with the consent of the employer. The pension is not dependent on the employee's final salary.

The employer manages the retirement accounts, informs the employees of the balance of their retirement assets, manages the claims and makes payments, sometimes involving the services of external service providers. When paying a lifelong pension, the employer must monitor the statutory and contractual obligations to adjust the pension and make adjustments when necessary.

If a lump-sum benefit is annuitized, the lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. Thanks to the contractual adjustment rules applying to annuitization, the statutory obligation to make (and review) adjustments is not currently seen to harbor any inflation risk.

The deferred compensation with/without employer contributions and possible demographic contributions retained by the employer are paid into reinsurance policies where the employer is the beneficiary. This partly covers the pension obligations.

Annuity plans
Annuity plans are governed by labor-management contracts or individual employment contracts. § 16 of the Company Pensions Act imposes an obligation on the employer to review the adjustment of pension payments. The extent of the adjustment requirement is usually determined by the consumer price index. Some individual employment contracts impose a contractual adjustment obligation. There is no minimum financing obligation.

These are closed-end funds. Pension commitments as prescribed by the Essener Verband (Essen Association) have been made to some active employees. Fixed euro entitlements are maintained for departing employees with vested rights. Annuities are paid out to the beneficiaries in the form of lifelong monthly pension payments that include survivors' benefit entitlements.

The employer manages entitlements and claims and makes payments, sometimes involving the services of external service providers. It monitors the statutory and contractual obligations to adjust the pension and makes adjustments when necessary.

The lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. The statutory obligation to make (and review) adjustments can also harbor an inflation risk.

The net periodic pension costs of all defined benefit plans of the Group were as follows:

	2014 MCHF	2013 MCHF
Current service cost	24.7	25.8
Contributions of employees	-8.8	-8.6
Net interest cost for retirement benefit plans	4.2	5.3
Net periodic pension cost	**20.1**	**22.5**

The service cost for the Swiss retirement benefit plans was MCHF 16.0 in 2014 (PY: MCHF 17.1) and for the German retirement benefit plans MCHF 8.1 (PY: MCHF 8.1). The net interest cost for the Swiss retirement benefit plans was MCHF -1.0 in 2014 (PY: MCHF 0.4) and for the German retirement benefit plans MCHF 5.1 (PY: MCHF 4.8).

The following table shows the remeasurements for the defined benefit plans in other comprehensive income in the Consolidated Statements of Comprehensive Income:

	2014 MCHF	2013 MCHF
Actuarial gains (-) / losses:	121.5	-32.7
- of which from changes in demographic assumptions	0.0	0.0
- of which from changes in financial assumptions	109.1	-31.7
- of which from experience adjustments	12.4	-1.0
Return on plan assets (excluding interest based on discount rate)	-26.0	-32.1
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Asset ceiling adjustment	-13.2	13.2
Total pre-tax remeasurements recognized in other comprehensive income	**82.3**	**-51.6**

The remeasurements recognized in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2014 for the Swiss retirement benefit plans amounted to MCHF 54.3 (PY: MCHF -50.3) and for the German retirement benefit plans MCHF 26.5 (PY: MCHF -1.4).

The following tables show the changes in benefit obligations, plan assets, reimbursement rights and the asset ceiling from January 1 to December 31:

	2014 MCHF	2013 MCHF
Benefit obligation		
At beginning of year	590.6	598.0
Current service cost	24.7	25.8
Interest cost	15.2	13.3
Actuarial gains (-) / losses	121.5	-32.7
New plans / plan adjustments	0.5	3.2
Benefits paid	-21.7	-19.4
Translation differences	-3.3	2.4
Benefit obligation at end of year	**727.5**	**590.6**

	2014 MCHF	2013 MCHF
Plan assets at fair value		
At beginning of year	434.4	391.8
Interest income (based on discount rate)	10.4	7.5
Return on plan assets (excluding interest based on discount rate)	26.0	32.1
Contributions of employees	8.3	8.2
Contributions of employers	8.3	8.2
Benefits paid	-16.4	-13.4
Translation differences	0.0	0.0
Plan assets at fair value at end of year	**471.0**	**434.4**
Funded status at end of year	**-256.5**	**-156.2**
Swiss retirement benefit plans: asset ceiling adjustment	0.0	-13.2
Swiss retirement benefit plans: capitalization of employer pension contribution reserve (→ Note 11)	0.0	-19.5
Net funded status at end of year	**-256.5**	**-188.9**

	2014 MCHF	2013 MCHF
Fair value of reimbursement rights		
At beginning of year	13.7	11.7
Interest income (based on discount rate)	0.6	0.5
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.0
Contributions of employers	1.4	1.3
Contributions of employees	0.5	0.4
Benefits paid	-0.3	-0.2
Translation differences	0.3	0.0
Fair value of reimbursement rights at end of year	**16.2**	**13.7**

As of December 31, 2014, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 10.3 (PY: MCHF 8.8).

	2014 MCHF	2013 MCHF
Asset ceiling		
At beginning of year	-13.2	0.0
Change	13.2	-13.2
Translation differences	0.0	0.0
Asset ceiling at end of year	**0.0**	**-13.2**

The following table provides an analysis of the fair value and composition of the plan assets.

	2014			2013		
	Listed on an active market MCHF	Other MCHF	Total MCHF	Listed on an active market MCHF	Other MCHF	Total MCHF
Equity instruments	154.8	11.3	166.1	175.1	9.9	185.0
Bonds and other debt instruments	97.7	37.9	135.6	52.4	36.2	88.6
Real estate property	38.1	93.1	131.2	22.9	94.2	117.1
Cash and cash equivalents	34.9	0.0	34.9	37.1	0.0	37.1
Other	1.4	1.8	3.2	2.0	4.6	6.6
Total	**326.9**	**144.1**	**471.0**	**289.5**	**144.9**	**434.4**

The effective income on the plan assets was +7.3% in 2014 and +8.4% in 2013. As of the end of 2014, the plan assets included MCHF 5.2 (PY: MCHF 4.2) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) in real estate used by the Group.

The following table provides an analysis of the benefit obligations of the Swiss and German retirement benefit plans:

	2014				2013			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,154		478	1,632	1,149		458	1,607
German retirement benefit plans	4,006	437	328	4,771	3,873	409	333	4,615
Total plan members	**5,160**	**437**	**806**	**6,403**	**5,022**	**409**	**791**	**6,222**
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	302.1		202.2	504.3	233.6		168.1	401.7
German retirement benefit plans	156.8	20.7	31.1	208.6	131.8	16.4	29.0	177.2
Total benefit obligation	**458.9**	**20.7**	**233.3**	**712.9**	**365.4**	**16.4**	**197.1**	**578.9**
Share in %	64.4	2.9	32.7	100.0	63.2	2.8	34.0	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 15 years (PY: approx. 14 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 8.3 are expected for the Swiss retirement benefit plans in 2015. In Switzerland, an employer contribution reserve of MCHF 19.5 may be used for future contribution payments.

The calculation of the benefit obligations for the material retirement benefit plans was based on the following assumptions (in %):

	2014		2013	
	CH	DE	CH	DE
Discount rate	1.2	1.9	2.4	3.1
Salary increase rate	2.0	2.5	2.0	2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2010 generations table	2005G actuarial tables	BVG 2010 generations table	2005G actuarial tables

The trend for sickness costs does not affect benefit obligations in Switzerland or Germany.

The following sensitivity analysis shows how the present value of the benefit obligation for the material retirement benefit plans (CH and DE) would change if a single reporting date assumption were changed. Every assumption change was analyzed separately. Interdependencies were not taken into account.

	Swiss retirement benefit plans: increase/reduction (-) in present value of benefit obligation	German retirement benefit plans: increase/reduction (-) in present value of benefit obligation
Discount rate		
Increased by 50 basis points	-7.4%	-5.6%
Reduced by 50 basis points	+8.6%	+6.2%
Salaries		
Increased by 25 basis points	+0.47%	+0.03%
Reduced by 25 basis points	-0.45%	-0.03%

In addition, the Group's income statement for 2014 includes expenses for defined contribution plans of MCHF 2.5 (PY: MCHF 2.2).

18. Participation plans

Share plans
In 2014, employees were able to purchase a limited number of shares at a discount of 45% (PY: 40%) compared to the market price ("Employee share purchase plan 2014"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share purchase plan 2014"). For each of these shares, management participants received one option (see part 2: "Option plans"). As part of the "Directors program 2014", non-executive members of the Board of Directors received their compensation for 2013 in shares of Geberit AG at a discount of 0% (PY: 40%). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2014 are summarized below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2014 (ESPP)	2016	1,845	20,687	155.07
Management share purchase plan 2014 (MSPP)	2017	70	13,320	281.95
Directors program 2014 (DSPP)	2018	6	3,505	281.95
Total			**37,512**	

The 37,512 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2014, the Board of Directors, the Group Executive Board and the employees owned a combined total of 340,295 (PY: 338,788) shares, i.e. 0.9% (PY: 0.9%) of the share capital of Geberit AG.

Option plans
The management has the opportunity to invest part or all of their variable remuneration in shares of the company through the management share purchase plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. in order to encourage management to participate in the program, a free option is provided for each share purchased through the program. These options are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant.

In connection with an additional option plan (MSOP), the managing directors and members of the Group Executive Board are entitled to additional options. The options of the managing directors are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The options of the members of the Group Executive Board are also subject to a vesting period of four years: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of grant. The options have a term of seven years after which they expire. They can be exercised between the vesting date and the expiration date. The vesting of share options is subject to the achievement of a performance criterion - the average Return on Invested Capital (ROIC) - over the respective vesting period.

The following is a summary of the options allocated to the management in 2014:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2014 (MSPP)	2015 - 2018	2021	70	13,320	281.95
Option plan 2014 (MSOP) / Group Executive Board	2016 - 2018	2021	5	64,647	281.95
Option plan 2014 (MSOP) / Other management	2015 - 2018	2021	64	62,428	281.95
Total				**140,395**	

The fair value of the options granted in 2014 amounted to CHF 23.65 at the respective granting date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price[1] CHF	Expected volatility %	Expected Ø dividend yield %	Contractual period Years	Risk-free interest rate %
Management share purchase plan 2014 (MSPP)	281.95	13.500	3.80	7	0.868
Option plan 2014 (MSOP)	281.95	13.500	3.80	7	0.868

[1] The exercise price corresponds to the average price of Geberit shares for the period from 4. – 17.3.2014.

The following table summarizes all option plans in place as of December 31, 2014:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2015 - 2017	30,847	208.06	30,847	208.06
2015	2016 - 2021	66,615	244.72	66,615	244.72
2016	2017 - 2021	100,838	241.58	100,838	241.58
2017	2018 - 2021	66,687	260.06	66,687	260.06
2018	2021	37,928	281.95	37,928	281.95
Total		**302,915**	**247.98**	**302,915**	**247.98**

The following movements took place in 2014 and 2013:

	MSOP		MSPP		Total 2014		Total 2013	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding January 1	**233,291**	**214.91**	**30,603**	**201.86**	**263,894**	**213.39**	**251,305**	**185.51**
Granted options	127,075	281.95	13,320	281.95	140,395	281.95	107,172	231.20
Forfeited options	16,059	252.65	725	188.73	16,784	249.89	4,624	207.12
Expired options	0	0	0	0	0	0	35	146.60
Exercised options	69,852	197.16	14,738	190.96	84,590	196.08	89,924	157.03
Outstanding December 31	**274,455**	**248.26**	**28,460**	**245.33**	**302,915**	**247.98**	**263,894**	**213.39**
Exercisable at December 31	22,433	211.59	8,414	198.65	30,847	208.06	29,509	184.88

The 302,915 options outstanding represent 0.8% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding at December 31, 2014 had an exercise price of between CHF 189.10 and CHF 281.95 and an average remaining contractual life of 4.7 years.

Costs resulting from participation plans amounted to MCHF 2.9 in 2014 (PY: MCHF 2.6); those for option plans totaled MCHF 2.5 (PY: MCHF 2.6).

19. Deferred tax assets and liabilities

	2014	Movements 2014				2013
	Total	Charged / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	3.2	-0.1	0.0	0.0	0.1	3.2
Accrued pension obligations	28.4	0.7	0.0	13.8	-0.3	14.2
Property, plant and equipment	2.8	-0.5	0.0	0.0	0.0	3.3
Goodwill and intangible assets	16.4	-5.1	0.0	0.0	0.0	21.5
Other	25.5	0.8	0.6	10.2	0.3	13.6
Total deferred tax assets	**76.3**	**-4.2**	**0.6**	**24.0**	**0.1**	**55.8**
Deferred tax liabilities						
Inventories	-6.1	-0.5	0.0	0.0	-0.2	-5.4
Property, plant and equipment	-28.6	2.0	0.0	0.0	-0.2	-30.4
Intangible assets	-8.3	-1.1	0.0	0.0	-0.1	-7.1
Employer contribution reserve	0.0	0.0	0.0	3.4	0.0	-3.4
Other	-5.4	-0.6	0.0	0.0	0.1	-4.9
Total deferred tax liabilities	**-48.4**	**-0.2**	**0.0**	**3.4**	**-0.4**	**-51.2**

[1] Recorded directly in other comprehensive income

	2013	Movements 2013				2012
	Total	Charged / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	3.2	-0.7	0.0	0.0	-0.2	4.1
Accrued pension obligations	14.2	0.3	0.0	-5.6	0.0	19.5
Property, plant and equipment	3.3	0.4	0.0	0.0	0.0	2.9
Goodwill and intangible assets	21.5	-4.7	0.0	0.0	0.0	26.2
Other	13.6	-0.4	-0.1	0.0	0.0	14.1
Total deferred tax assets	**55.8**	**-5.1**	**-0.1**	**-5.6**	**-0.2**	**66.8**
Deferred tax liabilities						
Inventories	-5.4	-0.1	0.0	0.0	0.1	-5.4
Property, plant and equipment	-30.4	0.5	0.0	0.0	-0.2	-30.7
Intangible assets	-7.1	-0.4	0.0	0.0	0.0	-6.7
Employer contribution reserve	-3.4	0.0	0.0	-3.4	0.0	0.0
Other	-4.9	-0.2	0.0	0.0	0.1	-4.8
Total deferred tax liabilities	**-51.2**	**-0.2**	**0.0**	**-3.4**	**0.0**	**-47.6**

[1] Recorded directly in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As of December 31, 2014 and 2013, there were no such earnings, except for the Chinese subsidiaries. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income tax of MCHF 0.2.

The Group recognizes deferred tax assets from loss carryforwards if they comply with the requirements of IAS 12. The following loss carryforwards (listed by maturity) were used for the calculation of deferred tax assets:

	2014 MCHF	Without deferred tax asset MCHF	With deferred tax asset MCHF	2013 MCHF	Without deferred tax asset MCHF	With deferred tax asset MCHF
Maturity						
1 year	0.0	0.0	0.0	0.0	0.0	0.0
2 years	0.0	0.0	0.0	0.0	0.0	0.0
3 years	0.6	0.0	0.6	0.0	0.0	0.0
4 years	1.0	0.0	1.0	0.6	0.0	0.6
5 years	0.3	0.0	0.3	1.0	0.0	1.0
6 years	0.7	0.3	0.4	0.3	0.0	0.3
> 6 years	7.4	0.0	7.4	8.5	0.0	8.5
Total loss carryforwards	**10.0**	**0.3**	**9.7**	**10.4**	**0.0**	**10.4**

20. Other non-current provisions and liabilities

	2014 MCHF	2013 MCHF
Provisions for operating risks	22.9	21.6
Accrued investment grants	3.7	3.3
Other non-current liabilities	5.5	9.7
Total other non-current provisions and liabilities	**32.1**	**34.6**

Provisions for operating risks mainly include provisions for warranties. Movements for 2014 and 2013 are shown in the following table.

	2014 MCHF	2013 MCHF
Provisions for operating risks		
January 1	**21.6**	**20.6**
Additions	7.9	8.8
Used	-6.2	-7.4
Reversed	-0.3	-0.5
Translation differences	-0.1	0.1
December 31	**22.9**	**21.6**

The provisions for operating risk are on average due for payment within 3.0 years.

21. Contingencies

The Group is involved in various legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate is likely to have a material adverse impact on the Group's financial position or operating results. The Group has established insurance policies to cover product liabilities and it makes provisions for potential product warranty claims.

The Group operates in many countries, most of which have sophisticated tax regimes. The nature of its operations and ongoing significant reorganizations result in complex legal structures for the Group and its subsidiaries. The Group believes that it performs its business in accordance with the local tax laws. However, it is possible that there are areas where potential disputes with the various tax authorities could arise. The Group is not aware of any dispute that either individually or in the aggregate is likely to have a material adverse effect on the Group's financial position or operating results.

22. Capital stock and treasury shares

	2014 pcs.	2013 pcs.
Issued shares		
January 1	**37,798,427**	**38,821,005**
Capital reduction as at June	0	-1,022,578
December 31	**37,798,427**	**37,798,427**

The share buyback program announced in March 2014 was launched on April 30, 2014. In the course of this program, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register can be repurchased over a period of two years, less withholding tax, and retired by means of a capital reduction. The share buyback is conducted via a separate trading line on the SIX Swiss Exchange. By December 31, 2014, 123,000 shares corresponding to around 6% of the entire program have been acquired at a sum of MCHF 37.4. This share buyback program has been suspended since July 2014 due to the acquisition of Sanitec and the decision on its resumption remains open.

As of December 31, 2014, the Group held a total of 302,060 (PY: 212,382) treasury shares with a carrying amount of MCHF 78.3 (PY: MCHF 40.5). In 2014, the Group increased the net number of treasury shares by 89,678. Treasury shares are deducted at cost from equity.

	2014 pcs.	2013 pcs.
Stock of treasury shares		
From share buyback programs	123,000	0
Other treasury shares	179,060	212,382
Total treasury shares	**302,060**	**212,382**

For transactions in connection with the participation plans, see → Note 18.

23. Earnings per share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares issued and outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares.

	2014	2013
Attributable net income according to income statement (MCHF)	498.6	435.8
Weighted average number of ordinary shares (thousands)	37,544	37,606
Total earnings per share (CHF)	**13.28**	**11.59**

For diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all potentially dilutive ordinary shares (see → Note 3) The Group has considered the share options granted to the management to calculate the potentially dilutive ordinary shares.

	2014	2013
Attributable net income according to income statement (MCHF)	498.6	435.8
Weighted average number of ordinary shares (thousands)	37,544	37,606
Adjustments for share options (thousands)	53	27
Weighted average number of ordinary shares (thousands)	37,597	37,633
Total diluted earnings per share (CHF)	**13.26**	**11.58**

24. Other operating expenses, net

	2014 MCHF	2013 MCHF
Outbound freight costs and duties	68.2	67.0
Energy and maintenance expenses	74.0	74.1
Marketing expenses	83.8	84.2
Administration expenses	44.2	43.1
Other operating expenses	86.2	78.2
Other operating income	-12.5	-12.1
Total other operating expenses, net	**343.9**	**334.5**

Other operating income includes, among other things, insurance benefits received, rental income, gains from sales of fixed assets and catering revenues.

In 2014, costs of MCHF 15.3 (PY: MCHF 12.0) were capitalized as property, plant and equipment or intangible assets. This includes in particular tools and assembly lines that are part of the production process, as well as capitalized product development costs. The amount was deducted pro-rata from “personnel expenses”, “cost of materials” and “other operating expenses, net”.

25. Financial result, net

	2014 MCHF	2013 MCHF
Interest expenses	-1.7	-1.3
Amortization of deferred financing fees	-0.3	-0.3
Other financial expenses	-2.0	-3.2
Total financial expenses	**-4.0**	**-4.8**
Interest income	2.1	3.4
Total financial income	**2.1**	**3.4**
Foreign exchange loss (-) /gain	0.2	-4.1
Total financial result, net	**-1.7**	**-5.5**

"Other financial expenses" mainly includes the valuation losses from marketable securities. The interest income of marketable securities is included in "interest income". The foreign exchange loss in 2013 resulted mainly from the valuation of receivables and liabilities in foreign currencies and was largely due to the weakening of the currencies of emerging markets in the second half of 2013.

26. Income tax expenses

	2014 MCHF	2013 MCHF
Current taxes	72.2	64.1
Deferred taxes	4.4	5.3
Total income tax expenses	**76.6**	**69.4**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 13.7% (PY: 13.4%) and the effective income tax expenses were as follows:

	2014 MCHF	2013 MCHF
Income tax expenses, at applicable rate	78.7	67.9
Operating losses with no current tax benefit	0.1	0.0
Changes in future tax rates	-0.1	-0.2
Taxable goodwill amortization	-4.6	-4.9
Non-deductible expenses	3.4	3.4
Other	-0.9	3.2
Total income tax expenses	**76.6**	**69.4**

The expected business development in the different regions and markets will not lead to a material change of the weighted average tax rate of the Group.

27. Research and development expenditures

	2014 MCHF	2013 MCHF
Research and development expenses, gross	55.8	50.9
Capitalized development costs	-5.9	-3.3
Amortization of capitalized development costs	0.2	0.0
Research and development expenses, net	**50.1**	**47.6**

Geberit spends around 2.6% of revenue from sales (around 2.3% of sales) on research and development (R&D) every year. The expenditure has remained relatively constant over the years.

In 2014, gross research and development costs totaling MCHF 55.8 (PY: MCHF 50.9) were charged directly to the income statement. The costs are included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net".

For three major development projects, the capitalization criteria according to IAS 38.57 were met and costs of MCHF 5.9 (PY: MCHF 3.3) were capitalized.

28. Cashflow figures

Net cashflow is calculated as follows:

	2014 MCHF	2013 MCHF
EBITDA[1]	657.1	592.8
Financial result, net	-1.7	-5.5
Income tax expenses	-76.6	-69.4
Deferred taxes charged/credited (-) to net income (→ Notes 19 and → 26)	4.4	5.3
Changes in non-current provisions	25.8	26.5
Changes in other non-current assets and liabilities and other	-0.7	-1.0
Net cashflow	**608.3**	**548.7**

[1] EBIT + Depreciation + Amortization

"Changes in non-current provisions" mainly includes the changes in provisions for operating risks, accrued pension obligations and non-cash expenses resulting from share participation and option plans charged or credited to net income. "Changes in other non-current assets and liabilities and other" mainly includes the changes in prepaid pension assets booked to net income and gains from the disposal of property, plant and equipment.

Free cashflow is calculated as follows:

	2014 MCHF	2013 MCHF
Net cashflow	608.3	548.7
Purchase of property, plant and equipment and intangible assets, net	-102.3	-95.2
Changes in net working capital	-35.2	2.4
Payments charged to non-current provisions	-10.4	-11.6
Free cashflow	**460.4**	**444.3**

As per the Group definition, the term "Free cashflow" does not include cashflows from divestments or acquisitions of subsidiaries, proceeds or repayments of borrowings, the purchase or sale of treasury shares and dividend payments.

"Changes in net working capital" comprises the changes in the aggregate of trade accounts receivable, inventories and other current assets, less the aggregate of trade accounts payable and other current provisions and liabilities.

"Payments charged to non-current provisions" mainly includes outflows resulting from pension and warranty obligations.

"Net cashflow" and "Free cashflow" are no substitute for figures shown in the consolidated income statements and the consolidated statements of cashflows, but they may give an indication of the Group's capability to generate cash, to pay back debt, to finance acquisitions, to buy back shares and to pay dividends.

29. Segment reporting

The Geberit Group consists of one single business unit, the purpose of which is to develop, produce and distribute sanitary products and systems for the residential and industrial construction industry. All products are distributed using the same distribution channel – wholesale – in general to plumbers, who resell the products to the end users. Products are produced by plants that specialize in particular production processes. As a general rule, one specific article is produced at only one location. Distribution is carried out by country or regional distribution subsidiaries, which sell to wholesalers. A distribution subsidiary is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution subsidiary is local market development, which comprises as a main focus the support of plumbers, sanitary planners and wholesalers. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralized at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organized by function (overall management, products, sales, finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on sales by markets and product lines and on the consolidated income statements, balance sheets, and statements of cashflows.

Segment reporting is therefore prepared according to IFRS 8.31 et seq. (one single reportable segment) and the valuation is made according to the same principles as the consolidated financial statements. The geographical allocation of sales is based on the domicile of customers.

The information is as follows:

	2014 MCHF	2013 MCHF
Sales by product lines		
Installation Systems	878.6	830.5
Cisterns and Mechanisms	265.7	251.1
Faucets and Flushing Systems	122.9	120.6
Waste Fittings and Traps	97.1	95.4
Sanitary Systems	**1,364.3**	**1,297.6**
Building Drainage Systems	349.6	324.8
Supply Systems	690.5	669.2
Piping Systems	**1,040.1**	**994.0**
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**
Operating cashflow (EBITDA)	**657.1**	**592.8**
Margin in % sales	27.3%	25.9%

	2014 MCHF	2013 MCHF
Sales by markets		
Germany	881.2	842.0
Switzerland	309.7	290.5
Italy	177.4	174.9
Other Europe	825.8	791.4
Other markets	210.3	192.8
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**
Operating cashflow (EBITDA)	**657.1**	**592.8**
Margin in % sales	27.3%	25.9%

	2014 MCHF	2013 MCHF
Share of sales by customers		
Customers with more than 10% of sales: customer A	406.0	362.1
Total > 10%	**406.0**	**362.1**
Remaining customers with less than 10% of sales	1,998.4	1,929.5
Total sales	**2,404.4**	**2,291.6**
Customer bonuses and cash discounts	315.3	291.7
Total revenue from sales	**2,089.1**	**1,999.9**

30. Related party transactions

In 2014 and 2013, total booked compensations for the Group Executive Board and the Board of Directors were as follows:

	2014 MCHF	2013 MCHF
Remuneration and salary fixed	3.7	4.0
Remuneration and salary variable	2.5	2.5
Options	1.5	1.2
Expenditures on pensions	0.9	0.8
Other	0.1	0.1
Total	**8.7**	**8.6**

Further information regarding compensations and investments of the Group Executive Board and the Board of Directors are disclosed in the Remuneration Report.

In 2014 and 2013, there were no further material related party transactions.

31. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements:

	Currency		2014		2013	
			Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.2024	1.2155	1.2253	1.2310
United Kingdom	GBP	1	1.5408	1.5074	1.4642	1.4484
USA	USD	1	0.9891	0.9158	0.8884	0.9271
Poland	PLN	100	28.1400	29.0510	29.5400	29.3210
China	CNY	100	15.9400	14.9410	14.6800	15.1110
Denmark	DKK	100	16.1510	16.2950	16.4250	16.5080
Australia	AUD	1	0.8110	0.8274	0.7929	0.8910
Czech Republic	CZK	100	4.3360	4.4170	4.4720	4.7430
Hungary	HUF	100	0.3811	0.3940	0.4132	0.4150
Norway	NOK	100	13.3690	14.5670	14.6140	15.8440
Sweden	SEK	100	12.8150	13.3660	13.8280	14.2460
Singapore	SGD	1	0.7483	0.7227	0.7021	0.7397
South Africa	ZAR	100	8.5500	8.4310	8.4900	9.6280
Turkey	TRY	100	42.4880	41.8410	41.8350	48.6940
Russia	RUB	100	1.6850	2.4199	-	-
India	INR	100	1.5700	1.5040	1.4400	1.5690

32. Subsequent events

Acquisition of Sanitec
On October 14, 2014, Geberit AG made an offer to the shareholders of Sanitec Oyj, Helsinki, Finland (Sanitec) to acquire all Sanitec shares at a price of SEK 97 per share in cash. With this transaction Geberit becomes the European market leader in the area of sanitary technology and bathroom ceramics, and also improves its access to the end users.

The Sanitec shares are listed on the NASDAQ Stockholm stock exchange. By the end of the extended offer deadline on February 2, 2015, 99.2% of the Sanitec shares were tendered and the transaction was successfully settled on February 10, 2015. The acceptance period was further extended until March 2, 2015 in order to give the remaining shareholders the possibility to tender their shares under the offer. Settlement for shares tendered during this additional acceptance period is expected to take place on or around March 5, 2015. As at March 2, 2015, a squeeze-out process for the residual shares will be initiated.

To finance the transaction, Geberit raised in total MCHF 1,170 new debt and used own funds of MCHF 247. Out of these resources MCHF 1,210 were and will be used to purchase 100% of the shares of Sanitec (of which MCHF 1,203 were used on February 10, 2015, to settle the 99.2% of total shares tendered as at February 2, 2015), MCHF 184 to repay the existing Sanitec debt and MCHF 23 to pay the transaction cost.

Of the total estimated transaction cost of MCHF 23, MCHF 10 are advisory fees (of which MCHF 3 were already included in 2014 and recorded under other operating expenses). The estimated financing related transaction cost amount to approx. MCHF 13 which will be amortized over the expected term of the underlying debt instruments using the effective interest rate method.

According to Sanitec’s audited financial report from 2014, the carrying amounts of the assets amounted to MEUR 438.5 and the liabilities amounted to MEUR 392.3 as of December 31, 2014. The company recorded revenue from sales of MEUR 689.4 and the EBIT was MEUR 78.9 which corresponds to a margin of 11.4%. The fair values of the identifiable assets and debt (purchase accounting) have not yet been determined as Geberit gained access to detailed financial information only after the transaction was executed on Feburary 10, 2015.

Fluctuations of currencies
The Swiss National Bank canceled the minimum limit for EUR against CHF of 1.20 on January 15, 2015. This decision resulted in fluctuations of currencies and the Swiss franc gaining in strength against all major currencies. As Geberit is exposed to foreign currencies on the asset and liability side and in sales and cost respectively, the impact of such currency fluctuations on the financial statements are mitigated (see Note 4 risk assessment and management). In the balance sheet a 15 percent devaluation of the EUR against CHF leads to an estimated negative translation impact on the consolidated equity of approx. MCHF 130 – 150 (7.6% to 8.7% of total consolidated equity as at December 31, 2014).

In the profit and loss statement a strengthening of the Swiss franc has a negative impact on sales and profitability. In terms of a sensitivity analysis, the following changes in the consolidated profit and loss statement can be assumed if the Swiss franc loses 10% or gains 10% in value against all other relevant currencies:

- Sales: +/-8% to +/-10%
- EBIT: +/-9% to +/-11%
- EBIT margin: approximately +/-0.5 percentage points

This sensitivity analysis does not include potential FX-related selling price adjustments.

Approval for publication of the consolidated financial statements
The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on March 3, 2015.

33. Additional disclosures on financial instruments

Measurement of financial instruments by categories according to IAS 39
Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories according to IAS 39. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

	Carrying amount as of 31.12.2014 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	749.7	749.7	0.0	
Trade accounts receivable	125.3	125.3	0.0	
Other current assets	55.1	55.1	0.0	
Other non-current assets	6.2	5.9	0.3	Level 2
Derivative financial instruments	0.8	0.0	0.8	Level 2
Total	**937.1**	**936.0**	**1.1**	

	Carrying amount as of 31.12.2014 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	3.9	3.9	0.0	
Trade accounts payable	62.3	62.3	0.0	
Other financial liabilities	6.6	6.6	0.0	
Derivative financial instruments	71.5	0.0	71.5	Level 2
Total	**144.3**	**72.8**	**71.5**	

	Carrying amount as of 31.12.2013 MCHF	Loans and receivables MCHF	Financial assets at fair value MCHF	Fair value measurement hierarchy
Financial assets				
Cash and cash equivalents	538.1	538.1	0.0	
Marketable securities	74.7	0.0	74.7	Level 1
Trade accounts receivable	114.8	114.8	0.0	
Other current assets	50.5	50.5	0.0	
Other non-current assets	3.2	2.7	0.5	Level 2
Derivative financial instruments	2.9	0.0	2.9	Level 2
Total	**784.2**	**706.1**	**78.1**	

	Carrying amount as of 31.12.2013 MCHF	Financial liabilities at amortized cost MCHF	Financial liabilities at fair value MCHF	Fair value measurement hierarchy
Financial liabilities				
Short-term debt	4.0	4.0	0.0	
Trade accounts payable	61.6	61.6	0.0	
Other financial liabilities	7.7	7.7	0.0	
Derivative financial instruments	0.0	0.0	0.0	Level 2
Total	**73.3**	**73.3**	**0.0**	

Fair value measurement hierarchy:
Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

Maturity analysis of financial instruments
The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortization payments of derivative and non-derivative financial instruments as of the balance sheet date:

	Carrying amount	Maturity				
	31.12.2014	2015	2016	2017	2018	2019 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	3.9	4.1	0.0	0.0	0.0	0.0
Trade accounts payable	62.3	62.3	0.0	0.0	0.0	0.0
Other financial liabilities	6.6	0.4	2.6	2.1	1.3	1.5
Total non-derivative financial liabilities	**72.8**	**66.8**	**2.6**	**2.1**	**1.3**	**1.5**
Derivative financial liabilities	71.5	1,183.7	0.0	0.0	0.0	0.0
Derivative financial assets	-0.8	19.7	0.0	0.0	0.0	0.0
Total derivative financial instruments	**70.7**	**1,203.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**143.5**	**1,270.2**	**2.6**	**2.1**	**1.3**	**1.5**

	Carrying amount	Maturity				
	31.12.2013	2014	2015	2016	2017	2018 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	4.0	4.0	0.0	0.0	0.0	0.0
Trade accounts payable	61.6	61.6	0.0	0.0	0.0	0.0
Other financial liabilities	7.7	0.5	3.1	2.3	1.7	1.6
Total non-derivative financial liabilities	**73.3**	**66.1**	**3.1**	**2.3**	**1.7**	**1.6**
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial assets	-2.9	55.4	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-2.9**	**55.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**70.4**	**121.5**	**3.1**	**2.3**	**1.7**	**1.6**

34. Group companies as of December 31, 2014

Switzerland	Ownership in %	Activity
Geberit AG, Rapperswil-Jona		O
Geberit Holding AG, Rapperswil-Jona	100	O
Geberit International AG, Rapperswil-Jona	100	O
Geberit International Sales AG, Rapperswil-Jona	100	Δ
Geberit Verwaltungs AG, Rapperswil-Jona	100	O
Geberit Vertriebs AG, Rapperswil-Jona	100	Δ
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100	Δ
Geberit Produktions AG, Rapperswil-Jona	100	▢
Geberit Apparate AG, Rapperswil-Jona	100	▢
Geberit Fabrication SA, Givisiez	100	▢
Geberit Finanz AG, Rapperswil-Jona	100	O
Australia		
Geberit Pty Ltd., North Ryde NSW	100	Δ
Austria		
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100	Δ
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100	▢
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100	O
Geberit Huter GmbH, Matrei	100	▢
Belgium		
Geberit N.V., Machelen	100	Δ
Channel Islands		
Geberit Finance Ltd., Jersey	100	O
Geberit Reinsurance Ltd., Guernsey	100	O
China		
Geberit Flushing Technology Co. Ltd., Daishan	100	▢
Geberit Plumbing Technology Co. Ltd., Shanghai	100	▢
Geberit Shanghai Trading Co. Ltd., Shanghai	100	Δ
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	100	O
Czech Republic		
Geberit spol. s.r.o., Brno	100	Δ
Denmark		
Geberit A/S, Lystrup	100	Δ
Finland		
Geberit OY, Helsinki	100	Δ
Geberit Investment Oy, Vantaa (Helsinki)	100	O
France		
Geberit S.a.r.l., Rungis Cedex	100	Δ
Germany		
Geberit Verwaltungs GmbH, Pfullendorf	100	O
Geberit Service GmbH & Co. KG, Pfullendorf	100	O
Geberit Vertriebs GmbH, Pfullendorf	100	Δ
Geberit Produktions GmbH, Pfullendorf	100	▢
Geberit Logistik GmbH, Pfullendorf	100	O
Geberit Mapress GmbH, Langenfeld	100	▢
Geberit RLS Beteiligungs GmbH, Langenfeld	100	O
Geberit Lichtenstein GmbH, Lichtenstein	100	▢
Geberit Weilheim GmbH, Weilheim	100	▢

Hungary	Ownership in %	Activity
Geberit Kft, Budapest	100	Δ
India		
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100	Δ
Geberit India Manufacturing Pvt. Ltd., Bangalore	100	▢
Italy		
Geberit Produzione S.p.a., Villadose	100	▢
Netherlands		
Geberit B.V., Nieuwegein	100	Δ
Geberit International B.V., Nieuwegein	100	O
Norway		
Geberit AS, Lysaker	100	Δ
Poland		
Geberit Sp.z.o.o., Warsaw	100	Δ
Portugal		
Geberit Tecnologia Sanitária S.A., Lisbon	100	Δ
Russia		
Geberit RUS LLC., Moscow	100	Δ
Singapore		
Geberit South East Asia Pte. Ltd., Singapore	100	Δ
Slovakia		
Geberit Slovensko s.r.o., Bratislava	100	Δ
Slovenia		
Geberit Sanitarna tehnika d.o.o., Ruše	100	▢
Geberit prodaja d.o.o., Ruše	100	Δ
South Africa		
Geberit Southern Africa (Pty.) Ltd., Sandton	100	Δ
Spain		
Geberit S.A.U., Barcelona	100	Δ
Sweden		
Geberit AB, Malmö	100	Δ
Turkey		
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100	Δ
United Kingdom		
Geberit Sales Ltd., Warwick	100	Δ
USA		
Duffin Manufacturing Co., Elyria	100	▢ / Δ
The Chicago Faucet Company, Des Plaines	100	▢ / Δ

O Services, holding functions
Δ Distribution ▢ Production

Report of the Statutory Auditor

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Report of the Statutory Auditor
to the General Meeting of
Geberit AG
Rapperswil-Jona

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement**, → **statement of comprehensive income**, → **statement of changes in equity**, → **statement of cashflows** and → **notes**, for the year ended December 31, 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 3, 2015

Geberit AG

Balance Sheets

	31.12.2014 MCHF	31.12.2014 MCHF	31.12.2013 MCHF	31.12.2013 MCHF
Assets				
Current assets				
Cash		0.2		0.0
Accounts receivable				
- Third parties		3.8		4.0
- Group companies		237.8		233.5
Prepaid expenses		1.4		0.0
Total current assets		**243.2**		**237.5**
Non-current assets				
Investments		920.8		945.1
Total non-current assets		**920.8**		**945.1**
Total assets		**1,164.0**		**1,182.6**
Liabilities				
Current liabilities				
- Third parties		2.0		1.6
- Group companies		4.1		3.5
Total current liabilities		**6.1**		**5.1**
Shareholders' equity				
Capital stock		3.8		3.8
Legal reserves				
- General reserve, share premium		0.8		0.8
- Reserve for treasury shares		78.3		40.4
- Reserve from capital contributions				
- Share premium, reserves from capital contributions	25.7		25.7	
- Reserve for treasury shares from capital contributions	0.0	25.7	0.0	25.7
Total legal reserves		104.8		66.9
Free reserves				
- Other free reserve		770.3		698.2
Total free reserves		770.3		698.2
Treasury shares		-37.4		0.0
Retained earnings		316.4		408.6
Total shareholders' equity		**1,157.9**		**1,177.5**
Total liabilities and shareholders' equity		**1,164.0**		**1,182.6**

Income Statements

	2014 MCHF	2013 MCHF
Income		
Dividends from Group companies	300.0	400.0
Financial income	3.9	3.1
Other operating income	0.4	0.4
Total income	**304.3**	**403.5**
Expenses		
Administrative expenses	2.6	3.0
Financial expenses	0.2	0.0
Taxes	0.1	0.0
Total expenses	**2.9**	**3.0**
Net income	**301.4**	**400.5**

Notes to the Financial Statements

1.1 Guarantees, assets pledged in favor of third parties

	31.12.2014 MCHF	31.12.2013 MCHF
Guarantee Bridge Facility	900.0	0.0
Guarantee Term Loan Facility	481.0	0.0
Revolving Facility	300.0	150.0
Guarantee foreign currency hedging (MEUR 100)	120.2	0.0
Guarantee interest rate hedging	25.0	0.0

The guarantees are limited to the distributable reserves of the company.

1.2 Significant investments

	2014 Ownership in %	2014 capital stock	2013 Ownership in %	2013 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39,350	100	TCHF 39,350
Geberit Finance Ltd., Jersey[1]	80	TEUR 461	82	TEUR 497
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

[1] The remaining 19,9% (PY 18.5%) are hold by Geberit Companies.

The investments are stated separately at the respective acquisition costs, less any adjustments required. The indirect investments are shown in the Notes to the Consolidated Financial Statements in the → Note 34.

1.3 Share capital

The share capital of Geberit AG consists of 37,798,427 ordinary shares with a par value of CHF 0.10 each.

	2014	2013
Number of shares issued	**pcs.**	**pcs.**
January 1	**37,798,427**	**38,821,005**
Capital reduction as at June 2013	0	-1,022,578
December 31	**37,798,427**	**37,798,427**

1.4 Capital contribution reserves

From the total of MCHF 25.7 shown as at 31.12.2014 the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution.

1.5 Treasury shares

Treasury shares held by Geberit AG or by companies in which Geberit AG holds a majority interest:

	Number of registered shares	High in CHF	Average in CHF	Low in CHF
Balance at December 31, 2013	**212,382**			
Purchases, share buyback program 2014	123,000	318.44	304.10	289.66
Other Purchases	89,000	290.21	286.39	281.46
Sales	-122,322	341.00	282.99	228.49
Balance at December 31, 2014	**302,060**			
Number of treasury shares held by Geberit AG	123,000			

The Board of Directors of Geberit AG decided in March 2014 to initiate a share buyback program. Over a period of two years, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased and retired by means of a capital reduction. As at December 31, 2014, 123'000 shares were bought back. Since August 2014 this share buyback program is suspended until further notice due to the acquisition of the Sanitec group.

The legal reserves for treasury shares were recorded at cost.

1.6 Shareholdings of members of the board of directors and of the group executive board

As of the end of 2014 and 2013, members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	F. Ehrat	J. Tang-Jensen	Total
2014						
Shareholdings Board of Directors						
Shares	see Group Executive Board	7,606	6,336	706	1,284	15,932
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

	A. Baehny Chairman	R. Spoerry Vice Chairman	H. Reuter	F. Ehrat	J. Song	J. Tang-Jensen	Total
2013							
Shareholdings Board of Directors							
Shares	see Group Executive Board	6,355	5,584	200	448	749	13,336
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

As of December 31, 2014, there were no outstanding loans or credits between the company and members of the Board of Directors.

As of the end of 2014 and 2013, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	M. Reinhard	K. Spachmann	Total
2014							
Shareholdings Group Executive Board							
Shares			46,969	31,280	2,000	5,000	85,249
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	0.23%
Call options[1]							
Vesting period:							
Vested	2015–2017	207.40	0	0	0	1,038	1,038
2015	2016–2018	228.00	1,792	957	1,017	483	4,249
2016	2017	205.50	6,665	1,417	1,542	1,330	10,954
2014–2017	2020	231.20	24,471	7,014	7,016	5,620	44,121
2015–2018	2021	281.95	30,760	10,810	10,559	9,592	61,721
Total options			**63,688**	**20,198**	**20,134**	**18,063**	**122,083**
Percentage potential share of voting rights options			0.17%	< 0.1%	< 0.1%	< 0.1%	0.32%

[1] Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	W. Christen-sen	M. Reinhard	K. Spachmann	Total
2013								
Shareholdings Group Executive Board								
Shares			45,201	20,000	1,489	1,940	3,084	71,714
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.19%
Call options[1]								
Vesting period:								
Vested	2014–2016	217.60	1,792	957	0	1,017	1,038	4,804
2014	2015–2017	198.53	11,742	4,220	1,891	3,560	2,619	24,032
2015	2016	228.00	1,792	957	753	1,017	483	5,002
2016	2017	205.50	6,665	1,417	1,176	1,542	1,330	12,130
2014–2017	2020	231.20	25,116	7,356	4,968	7,016	5,620	50,076
Total options			**47,107**	**14,907**	**8,788**	**14,152**	**11,090**	**96,044**
Percentage potential share of voting rights options			0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.25%

[1] Purchase ratio 1 share for 1 option

As of December 31, 2014, there were no outstanding loans or credits between the company and members of the Group Executive Board.

1.7 Significant shareholders

According to the information available to the Board of Directors, the following shareholders have attained or exceeded the threshold of 3% of the share capital of Geberit AG:

	31.12.2014	31.12.2013
Capital Group Companies, Inc., Los Angeles	9.72%	9.72%
Black Rock, New York	3.23%	3.23%
MFS Investment Management, Boston	3.03%	3.03%
Nicolai Tangen, c/o AKO Capital, London	< 3.00%	3.02%

1.8 Derivatives

Derivative instruments used for hedging purposes are valued together with the underlying transaction. Positive or negative fair market values will not be recognized during the lifetime of the contract, but at settlement date.

1.9 Additional information

These financial statements are stated according to the new Swiss accounting law (valid as at 1 January 2013) for the first time which have to be implemented as at 1.1.2015 at the latest. The disclosure of the prior year was restated accordingly adjusted.

2. Other Disclosures required by the law

Proposal for the Appropriation of Available Earnings
Proposal by the Board of Directors to the General Meeting:

Appropriation available earnings

	2014 CHF	2013 CHF
Available earnings		
Net income	301,351,042	400,539,406
Balance brought forward	15,092,694	8,041,491
Total available earnings	**316,443,736**	**408,580,897**
Transfer to free reserves	0	110,000,000
Proposed/paid dividend	312,706,044	283,488,203
Balance to be carried forward	3,737,692	15,092,694
Total appropriation of available earnings	**316,443,736**	**408,580,897**

Dividend payments
The Board of Directors proposes a dividend of CHF 8.30 per share (PY: CHF 7.50). The dividend payment is subject to withholding tax.

The number of shares with dividend rights will change if the number of shares held by Geberit AG changes. The Board of Directors may adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

Report of the Statutory Auditor

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Report of the Statutory Auditor
to the general meeting of
Geberit AG
Rapperswil-Jona

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Geberit AG, which comprise the → **balance sheet**, → **income statement** and → **notes**, for the year ended December 31, 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, March 3, 2015

Sus-
tain-
ability

Geberit Group 2014

PDF Version

Sustainability Performance Report

Geberit's sustainability reporting for the 2014 financial year is fully integrated in the online Annual Report, as it has been for some years. The company's systematic and transparent communication on the subject of sustainability is addressed to a range of target groups, including customers and partners, investors, the general public and company employees. To this end, information is made available at different levels:

- → **CEO Statement on sustainability**
- Current → **Highlights sustainability** and → **Highlights 2013**
- Business and financial review, as part of the Annual Report integrated into the chapters → **Employees**, → **Customers**, → **Innovation**, → **Logistics and procurement**, → **Sustainability**, → **Compliance** und → **Social engagement**
- → **Sustainability Strategy** with objectives, measures and results
- → **Materiality analysis on sustainability**
- → **Key figures sustainability**
- → **Communication on Progress UN Global Compact**

Since 2007, a sustainability performance report has been published annually in accordance with the guidelines of the Global Reporting Initiative (GRI). In this regard, the switch from the GRI G3 to the new GRI G4 guidelines was made in 2014.

The information disclosed within the scope of this report fulfills the "comprehensive" transparency grade set out in the GRI G4 guidelines, as has been verified by GRI, see → **formal GRI Index**. The Report is available in German and English. The German version is binding.

As prescribed by GRI, a → **process to determine the material aspects of sustainability** based on the aspects defined by GRI was the strategic starting point. An external stakeholder panel was consulted in September 2014. This was the second such consultation following the first in 2012. Its mandate consisted of scrutinizing the results of the internal materiality analysis and providing feedback on the sustainability strategy and sustainability communication. The results are summarized in a panel statement. The response from Geberit to the panel statement illustrates how the recommendations are being taken into consideration in the further development of the sustainability strategy and reporting.

- → **Introduction to the Stakeholder Panel**
- → **Members of the Stakeholder Panel**
- → **Panel Statement**
- → **Response from Geberit to the Panel statement**

CEO statement on sustainability

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. This approach has shaped Geberit for a long time. In my new role as CEO, I will give it my all to ensure the continued implementation of our sustainability strategy. We also receive outside support in this regard. The stakeholder panel made up of experts confirms our great efforts in setting standards in the area of sustainability. The materiality analysis compiled as part of the first implementation of the G4 guidelines of the Global Reporting Initiative (GRI) shows the key topics for our further development, which are highly in line with our strategy.

Water conservation as a major contribution

Discussions on the content of the new UN Sustainable Development Goals show that water management is a key issue for sustainable development. The biggest environmental contribution by Geberit products also lies in the conservation of water. In the product classification system WELL (Water Efficiency Label) for water-saving and resource-saving products introduced by the industry in 2011, eight Geberit product groups are already in the highest classification class A. These product groups account for over 20% of Group sales. In the coming years, we will aim to continue to set standards in water conservation when developing new products.

Solutions in green building

The demand for system solutions for green building is continually growing. European and international standards are defining the framework conditions and new standards are setting out the basic rules for environmental declarations for individual products and systems in buildings. Investors, project developers, owners and tenants are looking for system providers with holistic know-how regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a future market with major potential in which Geberit is present with water-saving, energy-saving, low-noise and durable products, and one in which Geberit specifically positions itself as a provider for green building.

Leading production standards

All production sites and logistics as a whole work with an integrated management system in accordance with ISO 9001 and ISO 14001. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management. The first sites such as Lichtenstein already set international standards in 2014 with the certification of a fully integrated management system for quality, environment, energy and occupational health and safety. Areas with potential for improvement are thus tackled and very good results achieved in the area of quality, resource efficiency and occupational safety. In 2014, the culmination of a wide range of measures resulted in a drop of 7.5% in the overall environmental impact per sales (currency-adjusted), which was calculated as part of the corporate eco-balance.

Social responsibility as a solid foundation

More than 6,200 employees worldwide appreciate their outstanding working conditions and high level of training. With this in mind, the standardized global performance assessment, development and compensation process (PDC) started in 2012 was continued. Our goal here is to reinforce a culture of cooperation, increase transparency and better recognize and promote talent than has been done to date. The health and safety of employees has the highest priority and is a core element of our corporate culture. Geberit realizes its corporate social responsibility within the scope of global social projects relating to the topic of water and sanitary facilities, as well as in cooperation with partners.

Acquisition of Sanitec

With the acquisition of Sanitec, our product range will become even more comprehensive and attractive. Throughout the process of integrating Sanitec, we will aim to maintain our high sustainability standards throughout the entire company and develop them further over the medium term.

Statement of continued support for the UN Global Compact

Geberit has been a member of the UN Global Compact since October 2008 as a sustainability leader in the area of environmental protection, responsible labor practices, human rights and the prevention of corruption. We provide customers, employees, investors and other stakeholders with information on our sustainability goals and performances in a transparent manner. Since 2007, our sustainability reporting has been based on the implementation of the GRI guidelines in their most comprehensive form. The Communication on Progress UN Global Compact (COP) on the financial year 2014 can be found at → **www.geberit.com > Sustainability > UN Global Compact**.

Christian Buhl, CEO

Materiality analysis

A comprehensive materiality analysis was performed as part of the new GRI-G4 guidelines. The results are shown in the following dynamic chart. Material aspects are deemed material if they are significant from the internal perspective of the company or the external perspective of stakeholders. The aspects were divided into four categories: most material, material, less material and not material or not requiring any action.

	Less material	Material	Most material
Economy	- Market Presence	- Indirect Economic Impacts	- Economic Performance
Environment	- Effluents and Waste	- Materials - Emissions - Compliance Environment - Transport	- Energy - Water - Products and Services
Labor Practices	- Diversity and Equal Opportunity - Equal Renumeration for Women and Men - Labor Practices Grievance Mechanisms	- Employment	- Occupational Health and Safety - Training and Education
Human Rights	- Investments - Non-discrimination - Freedom of Association and Collective Bargaining - Human Rights Assessment	- Child Labor - Forced or Compulsory Labor	
Society		- Anti-Corruption - Compliance	- Anticompetitive Behaviour
Product Responsibility		- Product and Service Labeling - Compliance Product Responsibility	- Customer Health and Safety
Suppliers	- Supplier Assesment for Impacts on Society - Supplier Environmental Assessment - Supplier Assessment for Labor Practices	- Supplier Human Rights Assessment	

The following aspects were identified as not material or as not requiring any action:

Biodiversity	Geberit production sites do not endanger biodiversity in protected areas. The production and disposal of Geberit products do not pose any special danger to biodiversity.
Investments Environment	Geberit plans holistically and integrates the aspect of environmental protection in the development of its products and production sites. In the context of integrated, sustainable planning, it makes no sense for Geberit to report investments in environmental protection separately.
Environmental Grievance Mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Labor/Management Relations	Geberit cultivates transparent internal communication and a close dialog between employees and management. These efforts are supported by the company's years of good economic development. There are no formally binding agreements on communication in case of severe measures.
Security Practices	Geberit is not active in any countries where special security precautions have to be taken.
Indigenous Rights	Geberit is not active in any countries or regions where the rights of indigenous people are endangered.
Human Rights Grievance Mechanisms	The risks of human rights violations by Geberit are low in general. Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Local Communities	Geberit production sites do not entail special risks for local communities or adverse effects on the neighborhood. As a good corporate citizen, Geberit cultivates good relations with its neighbors.
Public Policy	No support is given to political parties or politicians. Participation in the political process is confined to membership in certain associations and is therefore limited.
Social Grievance Mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Marketing Communications	Owing to its marketing strategy, Geberit is not exposed to risks from aggressive advertising or marketing. All external means of communication are checked for correctness and appropriateness.
Customer Privacy	Geberit does not possess sensitive data on end users. Data on customers and end users are safeguarded as required by statutory requirements.
Procurement Practices	Collaboration with local suppliers has no strategic significance for Geberit. Criteria such as reliability and price, quality and sustainability etc. are material, whereas the supplier's proximity to the production site is not (except in a handful of individual cases). As a result, there is no preferential treatment of local suppliers or special criteria for them. For comprehensive information on the subject of the supply chain, see -->Suppliers

Sustainability strategy

Sustainability means meeting today's needs without limiting the options and resources available to future generations. Specifically, the objective is to combine economic growth and long-term business success with environmentally friendly action and social commitment.

The "Sustainability landscape" groups the sustainability modules into four areas: Procurement and Logistics, Production, People and Products. The modules bundle current or future projects, initiatives or activities that aim to make a substantial contribution to sustainability. Each module contains clear responsibilities with measurable objectives, derived measures and quantified key figures for effective monitoring.

Procurement & Logistics	Production	People	Products
Green Procurement	Enviromental management	Code of Conduct	Eco-design
Green Logistics	CO_2 strategy	Employer responsibility	Green building
	Infrastructure	Social engagement	
	Occupational safety		

The following pages provide an overview of the sustainability modules with important facts and achievements for 2014 as well as the outlook for 2015 to 2016.

The current sustainability strategy is based on the situation at the end of 2014 and does not yet include the integration of Sanitec. There are to be no changes to the fundamental focus and positioning of Geberit in the area of sustainability. The adaptation of the strategy to the new conditions will be drawn up by the end of 2015.

Procurement & Logistics

Modules and goals	Important Facts and Achievements 2014	Outlook 2015 – 2016
Green Procurement Suppliers demonstrably comply with Geberit's high standards for eco-friendly and socially responsible production.	■ As of the end of 2014, 728 suppliers have signed the Code of Conduct for Suppliers (previous year 701 suppliers). This equates to over 95% of the total procurement value (previous year 95%), thereby meeting the target value of 95% for 2014. Among the top 200 suppliers, the share of companies that have signed is 98.3% (previous year 99%). ■ In 2012, the planning system for the performance of systematic audits was developed further. In addition to consistent quality audits, EHS audits (environment, health and safety) are performed in the highest risk class in particular. When a purchaser from Geberit next visits a supplier, he checks to ensure that the corrective measures agreed with the supplier have been implemented. ■ A Group-wide portfolio analysis with regard to sustainability risks showed a higher risk for 39 suppliers (previous year 40), which is less than 5% of the total procurement value. 29 of these 39 suppliers have already been audited. ■ Third-party audits were carried out at suppliers in China for the third time in 2014: three successful re-audits to check corrective measures and four audits at other suppliers. Corrective measures were required in one case due to inadequate remuneration.	■ All new suppliers have to sign the Code of Conduct. ■ Following positive experiences, additional third-party audits of suppliers are to be carried out and the required corrective measures checked as part of re-audits. ■ Sustainability risks in the supply chain are to be analyzed using a database-supported method.
Green Logistics Geberit optimizes its logistics with regard to energy consumption, emissions and packaging.	■ In 2010, a logistics calculator was developed to measure the key transport and environmental figures for the most important transport service providers in Europe. The system boundaries were maintained compared to the previous year. ■ In 2014, the transport service providers handled 181.0 million ton-kilometers (previous year 176.6 million ton-kilometers) resulting in 28,282 metric tons of CO_2 emissions (previous year 27,483 metric tons). ■ At 83%, the share handled by Euro 5 trucks remained high (previous year 87%). The share of state-of-the-art Euro 6 vehicles came to 8.4% (previous year 2.5%). ■ Compared to the previous year, the number of mega-trailer trips between the production sites increased by 30 trips to a total of 2,180 in 2014. The use of mega-trailers enhances efficiency, as they can carry a load that is around 15% greater or 50% more pallets. ■ The pilot project with a natural gas truck running on the cross-border round trip between Rapperswil-Jona (CH) and Pfullendorf (DE) that commenced at the end of 2013 is running without any problems of note.	■ Continuation of the environmental monitoring and formulation of suitable measures in close collaboration with the transport service providers. ■ Increased use of mega-trailers and optimization of loading capacity with technical equipment and organizational changes. ■ Discontinuation of Euro 1, Euro 2 and Euro 3 trucks and more intensive use of Euro 6 trucks ■ Review of use of trucks with alternative drive technologies on further routes. ■ Certification of the logistics center in Pfullendorf (DE) according to OHSAS 18001 by mid-2015.

Production

Modules and goals	Important Facts and Achievements 2014	Outlook 2015 – 2016
Enviromental management Geberit operates environmentally friendly, energy- and resource-efficient as well as economical production plants.	▪ The absolute environmental impact declined by 1.6% in 2014. The environmental impact per sales (currency-adjusted) dropped by 7.5%. Relative water consumption decreased by 6.5%. Given that the long-term target is 5% per year, Geberit is on track with both these figures. ▪ All production plants (with the exception of India) and logistics are certified to ISO 14001 and ISO 9001, and the Group certificate is valid until 2015. ▪ Continued roll-out of the integrated Geberit management system for quality, environment, safety and energy (selective) at all plants. ▪ First certification of the production sites in Pfullendorf, Langenfeld and Lichtenstein (DE) to ISO 50001 (energy management).	▪ Further improvement of eco-efficiency: The environmental impact per sales (currency-adjusted) is to be improved by 5% per year on average. ▪ Same improvement in relative water consumption as for eco-efficiency, i.e. 5% per year on average. ▪ First certification of new production company in India to ISO 9001/14001 and OHSAS 18001 by the end of 2015. ▪ Further certifications to ISO 50001 at selected locations.
CO_2 strategy Geberit actively contributes to the protection of the climate and consistently reduces CO_2 emissions.	▪ In 2014, CO_2 emissions dropped by 1.0% to 69,230 metric tons (previous year 69,909 metric tons). CO_2 emissions per sales (currency-adjusted) declined by 6.9%. This confirms that Geberit is on track with its long-term CO_2 strategy. ▪ The share of additionally purchased green electricity increased by 2.4 GWh to 23.4 GWh in 2014. In total, the share of renewable electricity accounted for 37.4%. ▪ 3.7 GWh of green electricity was produced in 2014 – 0.5 GWh from the PV installation in Givisiez (CH) and 3.2 GWh from the block heating station in Pfullendorf (DE). ▪ CO_2 emissions caused by air travel amounted to 711 metric tons (previous year 663 metric tons). ▪ The implementation of the energy master plan and the measures to save energy and enhance energy efficiency focused on eight production sites.	▪ Further implementation of the CO_2 strategy: reduction of relative CO_2 emissions by 5% per year on average. ▪ Long-term objective: Reduction of absolute CO_2 emissions (scope 1 and 2) by 20% by 2020 to less than 46,000 metric tons compared with the base year 2000 (based on organic growth). ▪ Increase in share of additionally purchased green electricity in 2015 by another 3 GWh and expansion of share of renewable electricity to 60% by 2020. ▪ Increase in share of combustibles from renewable sources to 25% by 2020. ▪ Continuation of the fuel-reduction plan: Reduce emissions of new vehicles to 100 grams of CO_2/km by 2020.
Infrastructure Geberit procures and operates durable and high-quality infrastructures such as buildings, equipment and tools.	▪ Construction and commissioning of new production plant in Slovenia with the highest energy standards and operation without fossil fuels. ▪ Roll-out of Geberit Production System (GPS) 2.0 commences. Consistent best-practice approach saves resources and reduces waste. ▪ Number of injection molding machines with energy-efficient drive technology increased from 94 to 109. ▪ Implementation of central material distribution with integrated “preheating of granulate” in Pfullendorf (DE) to use freely available waste heat, with annual electricity savings of around 0.6 GWh.	▪ Consistent renewal of injection molding and blow molding machine fleet with energy-efficient technology. Further increase in the number of injection molding machines with energy-efficient drive technology (hybrid, fully electrical, standby) from 109 to 134 machines. ▪ Process optimization for the manufacture of the Mepla multilayer pipe in Givisiez (CH) with a reduction in water and natural gas consumption of around 50% from 2015. ▪ Review of the feasibility of the “preheating of granulate” concept in other plants.
Occupational safety Geberit operates safe production plants and promotes a safety culture at a high level.	▪ Global implementation of the Geberit Safety System including integration into the Geberit management system and certification according to OHSAS 18001. ▪ The accident frequency rate (AFR) dropped by 5.9% to 9.6 in 2014 (previous year 10.2). The accident severity rate (ASR) increased by 5.0% to 130.5 (previous year 124.3). Geberit is thus not yet fully on track to meet its targets.	▪ Long-term objective: AFR and ASR to be reduced by 50% between 2010 and 2020, targets AFR = 7 and ASR = 80. ▪ Integration of the Geberit Safety System into Geberit’s management system and certification of all production plants to OHSAS 18001 by mid-2016.

People

Modules and goals	Important Facts and Achievements 2014	Outlook 2015 – 2016
Code of Conduct Geberit complies with all national and international laws. Geberit checks the effectiveness of its internal monitoring systems and guidelines and implements appropriate measures in the event of misconduct.	■ The Geberit Code of Conduct dating from 2007 has been revised in terms of content and takes into account the UN Guiding Principles on Business and Human Rights. ■ Compliance with the Code of Conduct has been checked with a binding Group-wide survey every year since 2008. In addition to comprehensive reporting, the Internal Audit Department carries out special interviews with the managing directors on the topics in the Code of Conduct. No significant breaches of the Code of Conduct were identified in 2014. ■ Initial review of the compliance organization at Geberit by the Internal Audit Department and an external partner. ■ No significant incidents were reported in 2014 via the "Geberit Integrity Line" launched in 2013. The few registered complaints were all dealt with and issues were settled swiftly. ■ 12 seminars on antitrust legislation for employees from the German sales company focusing on Internet sales. Training of management in Austria on antitrust legislation.	■ Further promotion of the "Geberit Integrity Line" and the Geberit Compliance System. ■ Roll-out of the new Geberit Code of Conduct in 2015. ■ Development and roll-out of a Code of Conduct for Geberit sales partners at locations where Geberit is not represented with its own sales companies. ■ Compliance-related review of specific sales partners. ■ Continuation of training in antitrust legislation via e-learning at sites in Europe in 2015. ■ Revision of the guidelines on donations and translation into all languages relevant for Geberit, plus a renewed survey of the practice regarding donations at all Geberit companies. ■ Revision of compliance guideline pertaining to antitrust legislation.
Employer responsibility Geberit is committed to providing attractive jobs. Geberit supports disadvantaged employees and apprentices.	■ Expansion of the standardized global performance assessment, development and compensation process (PDC). 1,250 employees were integrated at the end of 2014. ■ Conclusion of management course tailored to the needs of Group management at the IMD in Lausanne (CH). ■ In 2014, Geberit employed 232 apprentices. The transfer rate to a permanent employment relationship was 82%. A concept for cross-border apprenticeships and the promotion of international deployment of apprentices was implemented. ■ In 2014, the Geberit production plants supported a number of workshops for disabled persons where simple assembly and packaging work in the amount of CHF 5.5 million was carried out.	■ Continued roll-out of the performance assessment, development and compensation process (PDC). ■ Targeted support for transfer of apprentices to a permanent position: Target rate is 75%. ■ Next Group-wide employee survey planned for 2015 or 2016. ■ Conducting of a volunteering project with Geberit employees in cooperation with Helvetas in Nepal.
Social engagement Geberit fulfills social responsibilities in society.	■ Geberit employees did around 2,770 hours of charitable work on social projects. ■ Continuation of the partnership with Helvetas on the topic of drinking water and sanitary facilities in developing countries. ■ Financial support of the "LIV Village" project for orphans in South Africa. ■ Social project carried out in Varanasi (IN) with apprentices. Renovation of sanitary facilities in a village for disabled children and volunteering work with affected children. ■ Review of the effectiveness of social projects reveals good results. ■ Good overall ranking in the "GemeinwohlAtlas der Schweiz" (Common Good Atlas of Switzer-land), which was published for the first time and measures the contribution of companies to the common good of society.	■ Continuation of the partnership with Helvetas. Access to safe drinking water and sanitary facilities for people in developing countries. ■ Review of the effectiveness of social projects two to three years after their implementation.

Products

Modules and goals	Important Facts and Achievements 2014	Outlook 2015 – 2016
Eco-design During the development process, all Geberit products are optimized with regard to their environmental friendliness, resource efficiency and durability. Environmental aspects are already considered during technology development.	▪ Eco-design workshops have been part of the development process for all new products since 2007, and since 2010 they have also been part of product modifications and technology projects. ▪ The successful continuation of this approach in 2014 resulted in a number of ecologic improvements to products, such as - AquaClean Mera complete shower toilet solution: newly developed WhirlSpray shower technology reduces water and energy consumption while improving cleaning performance, unchanged energy consumption despite more comfort functions, reduction of flush volume to 4.5 liters thanks to TurboFlush flush technology - Omega flushing system with extra-small actuator plates and three installation heights as well as reduced flush volume, WELL A-class - Resource optimization for Mepla gunmetal fittings with annual savings of over 30 metric tons - OEM flush valve with enhanced hydraulic performance, lower resource consumption and over 50% share of high-quality ABS regranulate ▪ Comprehensive product life cycle assessment of AquaClean Mera Comfort, including creation of an Environmental Product Declaration (EPD). ▪ Continuation of pilot project for the systematic recording of environmental data at the product level as the basis for creating product life cycle assessments and EPDs.	▪ Systematic continuation of eco-design work-shops for product development. ▪ Creation of additional Environmental Product Declarations (EPD) in accordance with the new European standard EN 15804. ▪ Expansion of the “green building” product portfolio.
Green building Geberit has in-depth expertise in the fields of water conservation, quality of drinking water, sound insulation and green building. Geberit is the leading partner in the planning and implementation of first-class sanitary solutions for green buildings.	▪ Geberit products are exemplary when it comes to water and energy consumption and sound insulation. A broad range of Geberit products help with the implementation of green building concepts and standards such as Minergie, DGNB, BREEAM and LEED. ▪ Member of various “green building” associations in CH, DE, ES, USA, ZA and AU. ▪ Nine Geberit product groups – a total of over 480 sales products – carry the water efficiency label WELL. Since 2013, the labels have been displayed on all packaging and documented in catalogs. Eight of these nine product groups carry a class A label and contribute over 20% to the Group’s sales. ▪ In-depth expertise in the area of (enhanced) sound insulation is used to optimize the products and systems, as well as to improve the quality of life of residents and further increase their awareness. ▪ Participation at the round table for cooperation in the value chain in green building activities. ▪ Substantial contribution to the ETH Foundation Zurich (CH) for green building activities.	▪ Expansion of the “green building” product portfolio and internal expertise. ▪ Targeted search for green building reference projects in the European core markets and the Asia/Pacific region. ▪ Support of the NEST project (Next Evolution in Sustainable Building Technologies) at EMPA in Dübendorf (CH).

1. Strategy and analysis

G4-1 CEO Statement

For the statement of Christian Buhl (CEO), see → **CEO Statement on sustainability**.

G4-2 Key impacts, risks and opportunities with regard to sustainability

A sustainable corporate culture makes it possible to increase the value of the company over the long term and minimize risks for its future development. Geberit positions itself as a leader in sustainability and aims to set standards for customers, suppliers and other partners. Various awards and rankings serve to confirm Geberit's role as a leader in sustainability in various stakeholder groups' perceptions. For example, Geberit has made the Corporate Knights Global 100 index – a list of the 100 most sustainable companies in the world – since 2010. The "GemeinwohlAtlas für die Schweiz" (Common Good Atlas of Switzerland) published a ranking of 62 Swiss organizations for the first time in 2014. Geberit performed well here, with 4.73 points on a scale from 1 (poor contribution to common good) to 6 (outstanding contribution to common good).

The economic performance of Geberit is shaped by a sustainable approach. The → **50th anniversary of the Geberit concealed cistern** is a perfect example of this. This highly successful product, which has been sold over 60 million times, was a far-sighted strategic step on the journey from a sanitary unit to the bathroom of today in its modern form. Water saving through dual flush, reliable quality and comfort for end users as well as the 25-year guaranteed spare parts availability for plumbers are all convincing aspects of a sustainable product.

Supplementary to the established → **Sustainability Strategy** and based on the GRI G4 guidelines, the → **Materiality analysis** carried out in 2014 prioritizes the key topics for Geberit: water-saving, sustainable products; environmentally friendly and resource-efficient production; procurement and logistics with high environmental and ethical standards; and good, safe working conditions for the more than 6,200 committed and qualified employees worldwide. The corporate social responsibility is realized among other things within the scope of global social projects relating to the core competencies of water and sanitary facilities, and is intensified through memberships such as that with the non-profit organization "Swiss Water Partnership" aimed at promoting international dialog on water. There is also a long-term partnership with the Swiss development organization Helvetas.

The key internal challenge over the next few years will be to integrate Sanitec and – as a company with practically double the number of employees and significantly increased resource consumption in production – to then achieve the high sustainability standards for the entire company and expand them in the medium term.

Sustainability means satisfying the needs of today's generation in a manner that will ensure a solid basis for the livelihoods of future generations. The external challenges and objectives associated with this primarily pose an opportunity for Geberit. With its Millennium Development Goals from the year 2000, the United Nations aims to halve the number of people without access to clean drinking water and sanitary facilities by 2015. A look at the progress made to date shows that the ambitious goals are only partially being met. The sustainability goals of the UN for the post-2015 era are currently being negotiated. What is not disputed, however, is the great importance of the topic of water management for a sustainable development. The increase in the world's population, migration, urbanization, climate change and natural disasters can lead to regions that are currently well supplied with water becoming problem regions in the future. These global trends will have a significant impact on future sanitary technology: Water-saving and resource-efficient products are becoming ever more important. The EU is increasingly putting water conservation on its political agenda and has developed ecolabels for efficient toilets, urinals, washbasins and showers.

The biggest environmental contribution by Geberit products also lies in the conservation of water. The analysis of the entire value chain in the form of a → **water footprint** shows that nearly 100% of the water consumption is attributable to the product usage phase. The water savings are impressive: According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. In 2014 alone, the water saved amounted to 2,128 million cubic meters. This is more than half of the annual consumption of all German households.

However, the continuous reduction of the ecological footprint of Geberit products goes beyond water saving. They impress with their quality, durability, resource efficiency, good environmental compatibility and high recyclability. Since 2007, Geberit has been consistently focusing on → **eco-design**, meaning new products are systematically examined and optimized in terms of environmental and safety aspects. This takes place along the entire value chain – from the selection of raw materials and utilization right through to disposal. Thanks to this pioneering work, Geberit is well equipped in terms of EU requirements.

→ **Green building** has long been more than just a trend. European standards are increasingly prescribing the use of sustainable products and systems in buildings. At the same time, more and more buildings are being constructed voluntarily in accordance with sustainability standards such as DGNB, Minergie, BREEAM and LEED. Investors, project developers, owners and tenants are looking for system providers with holistic know-how regarding green building that can contribute to the respective desired standards being fulfilled in a targeted manner. This is opening up a market with major future potential in which Geberit is already present with water-saving, energy-saving, low-noise and durable products, and one in which Geberit specifically positions itself in the value chain as a green building provider. For reference projects, see the → **reference magazine View**.

Geberit combats risks posed by increasing regulation and changing framework conditions with an effective → **compliance system** that focuses on compliance in the five key topic areas of "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection".

2. Organizational profile

G4-3 Name of the organization

Geberit Group.

G4-4 Brands, products and/or services

Geberit offers customers high-quality system solutions for applications in private residential construction and public buildings. The systems are used in both renovation projects and new buildings. A broad range of products is offered within the two product areas of Sanitary Systems and Piping Systems. This ranges from installation systems, cisterns and mechanisms, faucets and flushing systems, waste fittings and traps to supply and building drainage systems. Geberit also increasingly offers products with compelling front-of-the-wall comfort and design, such as the Monolith, the AquaClean shower toilet, the actuator plates or the shower element.

For further information on the product range, see → **www.geberit.com > Products > Product range**.

For 2014 sales by product areas and product lines, see → **Business report > Business and financial review > Sales**.

G4-5 Headquarters location

The Geberit Group has its headquarters in Rapperswil-Jona (CH).

G4-6 Countries with business operations

Geberit has its own representatives in 41 countries. The products are sold in over 100 countries throughout the world. The company has 17 specialized production companies in eight different countries close to the most important sales markets and a central logistics center in Pfullendorf (DE).

For a list of the countries in which Geberit operates, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 33**.

G4-7 Ownership and legal form

Geberit AG, the parent company of the Geberit Group, is a stock corporation (AG) under Swiss law.

G4-8 Markets served

In terms of market cultivation, Geberit relies on a three-stage distribution channel. The products are distributed via the wholesale trade. Dealerships then sell them to plumbers and present them at exhibitions and other venues where end customers can gain information. At the same time, Geberit provides plumbers and sanitary planners with intensive support through training and advice, which in turn leads to increased demand for Geberit products from wholesalers. Since 2012, there has been a → **web shop** for the direct procurement of Geberit AquaClean and Geberit DuoFresh consumables.

For sales by markets and regions as well as by product areas and product lines, see → **Business report > Business and financial review > Sales**.

G4-9 Scale of the reporting organization

The Geberit Group's market capitalization reached CHF 12,791 million as of the end of 2014 (previous year CHF 10,224 million). For the consolidated balance sheet with details of current assets, non-current assets, equity and liabilities, see → **Financial Report > Consolidated financial statements Geberit Group > Balance sheet**. The 2014 sales of CHF 2,404 million (previous year CHF 2,292 million) were achieved with products in the two product areas Sanitary Systems and Piping Systems. The packaged products had a total weight of around 188,868 metric tons.

At the end of 2014, the Group had 6,247 employees (previous year 6,226 employees). For the number of business sites, see → **G4-6**.

G4-10 Total number of employees by employment type, employment contract, region and gender

The number of employees rose once again in the reporting year. At the end of 2014, the Geberit Group employed 6,247 people worldwide – 21 persons or 0.3% more than in the previous year. This increase is primarily due to capacity adjustments in the production plants and an expansion within sales.

For key figures on the workforce by employment type, employment contract, region and gender, see → **Key figures sustainability > Employees and society**.

G4-11 Employees covered by collective bargaining agreements

Approximately 4,200 employees, and thus around two-thirds of the workforce, are currently covered by collective agreements (e.g. collective labor agreements, wage agreements). The percentage is especially high in Germany, Austria and Switzerland, where over 95% of employees at the production companies are subject to a collective labor or wage agreement. There are no collective agreements with employees in the USA and China.

G4-12 Description of the organization's supply chain

See → **chapter Suppliers**.

G4-13 Significant changes regarding size, structure or ownership

No significant changes in the Group structure took place in 2014.

For further information, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 2**.

G4-14 Precautionary approach

The precautionary approach plays an important role for Geberit as a production company. This approach is defined in the → **Geberit Code of Conduct**.

All production sites and logistics as a whole work with an integrated management system and have a → **Group certificate in accordance with ISO 9001 (quality) and ISO 14001 (environment)**. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management. In operations, preventive approaches are implemented for environmental protection, energy efficiency, occupational health and safety and quality assurance. In line with the “best-in-class” approach, ambitious long-term goals were drawn up at the end of 2012. For example, by the year 2020 the aim is to reduce absolute CO_2 emissions by 20% compared with the base year 2000 (based on organic growth) and to halve accident rates compared with 2010.

All eleven European production plants started introducing the Geberit Production System (GPS) 2.0 in 2014. Best-practice standards in production will be uniformly implemented using methods such as SMED (Single Minute Exchange of Dies), TPM (Total Production Maintenance), 5S (Workplace Organization Methodology) and CIP (Continuous Improvement Process).

An extensive system for the control and management of all risks involved in business activities is in place throughout the Group. For further information, see → **Business report > Corporate governance > Board of directors > Information and control instruments vis-à-vis the Group Executive Board**.

G4-15 External agreements and initiatives

Geberit has been a formal member of the UN Global Compact since October 2008 and was a founding member of the local Swiss network in 2011. The company has been a member of the Transparency International organization since June 2000 and supports its objectives for combating corruption. Since 2007, Geberit has voluntarily applied the comprehensive guidelines of the Global Reporting Initiative (GRI) for sustainability reporting and has thereby made an active contribution towards ensuring transparency and comparability in this reporting.

Furthermore, the company became a member of the non-profit organization “Swiss Water Partnership” in 2012. The goal of this platform is to bring together all those involved in the topic of water supply (from the academic, business, public and private spheres) in order to address future challenges in this area jointly. This partnership also aims to promote international dialog on water.

G4-16 Membership in associations and organizations

Geberit is involved in various associations and organizations that make a contribution toward sustainability. In addition, various Geberit companies are members of national associations on topics such as environmentally friendly production, energy, waste management and employee protection. For major commitments, see → **www.geberit.com > Sustainability > UN Global Compact and Memberships**.

3. Material Aspects and Boundaries

G4-17 Reporting boundaries in the consolidated financial statements

The report covers the entire Geberit Group. If only part of the company is meant as an example or due to the availability of data, this is clearly indicated.

For the reporting limits in the Consolidated financial statements, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 33**.

G4-18 Process for defining report content

The GRI G4 guidelines serve as the basis for this report for the first time. Geberit implements the report option “comprehensive” and adheres closely to the GRI guidelines regarding the determination of material aspects and boundaries. The starting point was a comprehensive → **Materiality analysis** based on the sustainability topics described in the GRI aspects.

These efforts were able to build on the substantial basis that has been created in recent years. Material sustainability topics and related measures are already presented in compact form within the → **Sustainability Strategy**. Also material are the principles of the UN Global Compact, which Geberit has committed itself to uphold and which are presented in the → **Communication on Progress UN Global Compact**.

An internal materiality analysis was first developed on this basis from June to August 2014. The GRI aspects to be reviewed were divided into seven areas. They were then analyzed, assessed and prioritized in detail in seven workshops, each with one member of the Group Executive Board and further specialists from the respective area present. The total results from all workshops were consolidated, then examined and approved by the Group Executive Board.

An external stakeholder panel was consulted in September 2014. This was the second such consultation following the first in 2012. Its mandate consisted of scrutinizing the results of the internal materiality analysis. The majority of these results showed a high degree of consensus between the internal standpoint of the company and the assessment of the stakeholder panel., see → **Panel statement**.

G4-19 Material aspects

Material aspects are deemed material if they are significant from the internal perspective of the company or the external perspective of stakeholders. No differentiation was made between internal and external dimensions. The aspects were divided into four categories: most material, material, less material and not material or not requiring any action. The GRI aspects that Geberit identified as material in the economic, environmental and social dimensions can be seen in a → **dynamic chart**.

The results of the internally conducted materiality analysis were reviewed by the external stakeholder panel and approved, see → **Panel Statement**.

The following aspects were identified as not material or as not requiring any action:

GRI aspects that are not material or that require no action	Reason
Procurement practices (in the narrower sense in connection with local suppliers)	Collaboration with local suppliers has no strategic significance for Geberit. Criteria such as reliability and price, quality and sustainability etc. are material, whereas the supplier's proximity to the production site is not (except in a handful of individual cases). As a result, there is no preferential treatment of local suppliers or special criteria for them. For comprehensive information on the subject of the supply chain, see → **chapter Suppliers**.
Biodiversity	Geberit production sites do not endanger biodiversity in protected areas. The production and disposal of Geberit products do not pose any special danger to biodiversity.
Investments environment	Geberit plans holistically and integrates the aspect of environmental protection in the development of its products and production sites. In the context of integrated, sustainable planning, it makes no sense for Geberit to report investments in environmental protection separately.
Environmental grievance mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Labor/Management relations (in the narrower sense of formal notice periods)	Geberit cultivates transparent internal communication and a close dialog between employees and management. These efforts are supported by the company's years of good economic development. There are no formally binding agreements on communication in case of severe measures.
Security practices	Geberit is not active in any countries where special security precautions have to be taken.
Indigenous rights	Geberit is not active in any countries or regions where the rights of indigenous people are endangered.
Human rights grievance mechanisms	The risks of human rights violations by Geberit are low in general. Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Local communities	Geberit production sites do not entail special risks for local communities or adverse effects on the neighborhood. As a good corporate citizen, Geberit cultivates good relations with its neighbors.
Public policy	No support is given to political parties or politicians. Participation in the political process is confined to membership in certain associations and is therefore limited.
Social grievance mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. Formal grievance mechanisms are not relevant for Geberit.
Marketing communications	Owing to its marketing strategy, Geberit is not exposed to risks from aggressive advertising or marketing. All external means of communication are checked for correctness and appropriateness.
Customer privacy	Geberit does not possess sensitive data on end users. Data on customers and end users are safeguarded as required by statutory requirements.

G4-20/21 Material aspects and report boundaries outside and within the organization

The GRI aspects determined to be material pertain to different internal areas and external players. The table below shows which areas and players are primarily covered in this report. They therefore determine the report limits.

Material GRI aspects	Reporting limits inside the organization			Reporting limits outside the organization			
	Company, total	Employees	Production/ logistics	Customers	Suppliers, partners	Society	Others
Economic performance	x	x				x	Shareholders
Market presence		x				x	
Indirect economic impacts		x			x	x	Regional economy
Materials			x	x	x		
Energy	x			x		x	
Water			x	x		x	
Emissions			x	x		x	
Effluents and waste			x			x	
Products and services	x			x	x	x	
Compliance environment			x			x	
Transport			x		x	x	
Supplier environmental assessment					x		
Employment		x				x	Regional economy
Occupational health and safety		x				x	Regional economy
Education and further training		x				x	Regional economy
Diversity and equal opportunity		x					
Equal renumeration for women and men		x					
Supplier assessment for labor practices					x		
Labor practices grievance mechanisms		x				x	
Investments	x					x	
Non-discrimination		x					
Freedom of association and right to collective bargaining		x					Trade unions
Child labor		(x)			x	x	
Forced or compulsory labor		(x)			x	x	
Human rights assessment	x				x	x	
Supplier human rights assessment					x	x	
Anti-corruption	x			x	x	x	
Anti-competitive behavior	x			x		x	Competitors
Compliance	x					x	
Supplier assessment on impacts on society					x	x	
Customer health and safety	x			x			
Product and service labeling	x			x			
Compliance Product Responsibility	x			x			

G4-22 Effects of any restatements of information provided in earlier reports

This report contains no significant new form of presentation of information from previous years. If, in individual cases, a new form of presentation, calculation method or optimized data collection has led to other results for the previous years, then this is noted as a restatement under the respective indicator.

G4-23 Response to and dealing with key topics and concerns of stakeholders

The annual sustainability reporting for the 2006 to 2013 financial years is based on the GRI G3 guidelines in force since October 2006. The 2014 financial year is the first time the GRI G4 guidelines are being followed. In this way, Geberit has developed a consistent reporting system in which individual indicators are further developed each year.

There were no significant changes during the reporting period with regard to scope or reporting limits for topics identified as material (GRI aspects). If, in individual cases, a new measuring method is used, this is noted under the respective indicator.

4. Stakeholder engagement

G4-24 Relevant stakeholder groups

Significant stakeholder groups for Geberit are customers, shareholders and analysts, banks, the media, employees and trade unions, neighbors, research institutes and suppliers, transport companies, competitors, associations, non-government organizations and the general public, as well as regulators. Details on stakeholder engagement can be found under → **G4-26**.

G4-25 Basis for selection of stakeholders

Systematic dialog with stakeholders helps Geberit to identify possible conflict issues and opportunities for further development and to respond to these in good time. At the national and international levels, the Geberit Group and the Group companies maintain relations with organizations and institutions in the respective countries that direct requests and suggestions to the company. The stakeholders listed under → **G4-24** have been identified as important for systematic stakeholder dialog as they fulfill one of two criteria: Either the stakeholder group exerts a strong influence on the economic, environmental or social performance of Geberit and/or the stakeholder group is strongly affected by the economic, environmental or social performance of Geberit. An → **external Stakeholder Panel** helps Geberit to review its assessment of important stakeholder groups and their concerns.

G4-26 Approaches to stakeholder engagement

As part of sustainability reporting on the financial year 2014, Geberit consulted a panel of external stakeholders for the second time. Its mandate consisted of scrutinizing the results of the internal materiality analysis from the standpoint of external stakeholders and providing feedback on the sustainability strategy and sustainability communication. The results are presented in the → **Panel statement**. In the → **Response from Geberit to the Panel statement** Geberit deals in detail with the external assessment and the recommendations contained therein.

A stakeholder analysis is performed at all production plants as part of environmental management in accordance with ISO 14001. Based on this information, Geberit identifies potential for conflict or opportunities and essentially pursues a cooperative approach in order to discuss and further develop possible measures with the stakeholders concerned.

Engagement of stakeholders according to stakeholder group:

Customers:
- Around 500 technical advisors working in the field are in daily contact with plumbers, planners and architects in particular.
- During the reporting year, around 30,000 customers were provided with basic and further training in Geberit systems and software tools at the 25 information centers in Europe and overseas.
- → **"Geberit On Tour"**: Mobile exhibition that presented the advantages of Geberit products at more than 750 events in 15 countries in 2014. Around 20,000 visitors were registered at the events in total.
- For trade fairs and customer surveys, see → **Business report > Business and financial review > Customers**.
- A trend study entitled «Changes in Body Awareness and Hygiene» was carried out by Zukunftsinstitut GmbH in Frankfurt (DE).

Shareholders, analysts:
- For the participatory rights of the shareholders, see → **Business report > Corporate governance > Participatory rights of shareholders**.
- Regular conference calls, bilateral meetings, conferences and roadshows by the CEO, CFO and Head Corporate Communications and Investor Relations.

Media:
- Regular conference calls, bilateral meetings/interviews with the relevant media for Geberit.
- Sustainability issues and in particular the proof of performance of Geberit in this area play an important role in Geberit's media relations.

Employees, trade unions:
- Regular meetings of the employee representatives of the European sites with a member of the Group Executive Board and the Head Corporate Human Resources as part of the Geberit Europe Forum.
- Training and feedback opportunities on topics regarding the Code of Conduct.
- Group-wide → **"Geberit Integrity Line"** in place since 2013 to enable all employees across the world to report internal irregularities anonymously.
- Employee survey every four years, with the next one in 2015 or 2016.

Neighbors, municipalities:
- Consultation with and inclusion of the neighbors of production plants in larger construction projects.
- Open days at various production sites.

Research institutes:

- Financial support of the ETH Zurich Foundation with its key strategic area entitled "Green Building".
- Partner of the → **research platform NEST** (Next Evolution in Green Building Technologies) at EMPA in Dübendorf (CH).
- Cooperation with Tongji University (CN) on technological trends and developments directly related to sanitary technology.

Suppliers:

- Initial contact within the scope of the assessment procedure and implementation of the Code of Conduct for Suppliers, see → **chapter Suppliers**.
- Regular discussions between buyers and suppliers on site.
- On-site audits (quality, environment, safety) carried out by Geberit and since 2012 also by certified third-party specialists.
- Sustainability risks in the supply chain are analyzed using a database-supported method.
- Cooperation with manufacturers of infrastructure equipment, e.g. pilot project for the use of waste heat for the preheating of granulate in Pfullendorf (DE).

Transport companies:

- Discussions with transport service providers concerning the results of the environmental monitoring, see → **G4-EN29**.
- Joint planning and implementation of a pilot project with a → **natural gas truck** with a vehicle manufacturer and transport service provider.

Associations:

- Involvement in various → **associations and organizations** with participation in corresponding management bodies and programs.

Non-government organizations, general public:

- Partnership with the Swiss development organization Helvetas.

Feedback from stakeholder dialogs is incorporated into the → **Materiality analysis** and into the → **Sustainability Strategy**.

G4-27 Response to and dealing with key topics and concerns of stakeholders

The topics introduced by the external → **Stakeholder Panel** have been integrated into the updated sustainability strategy and reporting by Geberit; see → **Panel statement** and the → **Response from Geberit to the Panel statement**.

Examples of important topics that were introduced by stakeholders and have been implemented by Geberit include:

- Expansion of the portfolio of water-saving products: see → **G4-EN27**.
- → **Water footprint**, which covers Geberit's entire value chain.
- Transparency with "WELL" in the selection of water-saving products: see → **Business report > Business and financial review > Sustainability**.
- Customer training: see → **Business Report > Business and financial review > Customers**.
- Transparency of the remuneration system: see → **Business Report > Remuneration report**.
- Long-term CO_2 strategy: see → **Management Approach - Emissions**.
- Transparency in the environmental impact of logistics: see → **Business Report > Business and financial review > Logistics and procurement**.
- "Best-in-class" approach to occupational safety: see → **Business Report > Business and financial review > Employees**.
- Implementation of social projects: see → **Business Report > Business and financial review > Social engagement**.

5. Report profile

G4-28 Reporting period

2014 reporting year.

G4-29 Date of most recent previous report

Geberit published extensive magazine-like Sustainability Reports in 2004, 2007 and 2010. GRI reporting regarding all GRI G3 guideline requirements at the Level A application stage was published annually for the financial years 2006 to 2013. The → **last report** for 2013 is still available online; for reports from previous years, see → **www.geberit.com > Infocenter > Publications**.

G4-30 Reporting cycles

Annually as part of the integrated online reporting for a given financial year.

G4-31 Contact point for questions regarding the report or its contents

Should you have any questions concerning sustainability at Geberit, please contact:

Roland Högger Head of Environment and Sustainability Geberit International AG Schachenstrasse 77, CH-8645 Jona Tel: +41 55 221 63 56, Fax: +41 55 221 67 47 **sustainability@geberit.com**

G4-32 Reporting option chosen

The reporting implements the GRI G4 reporting option "comprehensive". For the formal GRI index, see → **formal GRI Index**.

G4-33 External assurance for the report

There is no external review of the sustainability reporting in its entirety. Instead, individual processes, results and indicators are inspected in detail by external parties:

- The → **Stakeholder Panel** examined the selection of material aspects (see → **G4-18** and → **G4-19**), see → **Panel statement** and the → **Response from Geberit to the Panel statement**.
- Financial reporting is audited by an external auditor, see → **Report of the statutory auditor**.
- Reporting on the energy and greenhouse gas balance sheet is submitted as part of the Carbon Disclosure Project and reviewed and assessed as part of the usual evaluation.
- All production sites and logistics as a whole work with an integrated management system and have a → **Group certificate in accordance with ISO 9001 (quality) and ISO 14001 (environment).**. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management.
- On-site audits (quality, environment, safety) are carried out by Geberit and since 2012 also by certified third-party specialists as part of on-site supplier auditing, see → **chapter Suppliers**.

In the → **formal GRI Index** all external auditing processes are listed under the respective general and specific information on the GRI standards.

6. Governance

G4-34 Governance structure, committees under the Board of Directors

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. For details about the internal organization of the Board of Directors and its committees, see → **Business Report > Corporate governance > Board of directors > Internal organizational structure**.

The operational management structure of Geberit is divided into the Group Divisions:

- CEO division
- Sales Europe
- Sales International
- Products
- Finance

The assignment of clearly distinguished responsibilities minimizes the number of interfaces. For more details about the organizational structure, see → **Business Report > Management structure**.

G4-35 Delegation of authority on economic, environmental and social matters

The Board of Directors determines the overall strategy. This includes the corporate strategy, see → **www.geberit.com > Company > Vision and Strategy** and the → **Sustainability Strategy**. To the extent legally permissible and in accordance with the Organization Regulations, the Board of Directors has assigned the operational management and the implementation of the strategy to the Chief Executive Officer. Within the operational management structure, responsibility for specific economic, environmental and social issues is delegated further, see → **Business Report > Management structure**.

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies, as the case may be. Between meetings, the Board of Directors is comprehensively informed in writing about current business developments and the company's financial situation on a monthly basis.

G4-36 Responsibility for economic, environmental and social matters

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Within the operational management structure, responsibility is determined for specific economic, environmental and social issues, see → **Business Report > Management structure**. The responsible individuals report either directly to the CEO (including Corporate Human Resources, Corporate Communications and Investor Relations, Marketing, Strategic Planning), or to other members of the Group Executive Board.

The way in which the topic of sustainability is approached has been regularly reviewed within the company. For over 20 years, Geberit has had an Environment and Sustainability department, which has been reporting directly to the CEO for more than a decade. In recent years, this department has coordinated the further development of the Sustainability Strategy and related activities, although the responsibility for planning and implementation lies with the individual areas themselves.

G4-37 Consultation process between stakeholders and the Board

For the participatory rights of the shareholders, see → **Business Report > Corporate governance > Participatory rights of shareholders**.

There is no employee representative on the Board of Directors. The employee representatives of the European sites meet regularly within the context of the Geberit Europe Forum with a member of the Group Executive Board and the Head Corporate Human Resources. Selected concerns can be addressed to the Board of Directors through this channel.

G4-38 Independent members of the Board of Directors

The Board of Directors consisted of five members at the end of 2014, of whom only the Chairman, Albert M. Baehny, was simultaneously involved in operative management in his capacity as CEO, see → **G4-39**. All of the committees formed by the Board of Directors are comprised exclusively of independent members. For further information, see → **Business Report > Corporate governance > Board of directors**.

G4-39 Separation of chair of Board of Directors and Executive Management

The Chief Executive Officer (CEO), Albert M. Baehny, was also Chairman of the Board of Directors from 2011 until the end of 2014. He passed on the role of CEO to Christian Buhl at the beginning of 2015, and will then serve exclusively as Chairman. For further information, see → **Business Report > Corporate governance > Board of directors**.

G4-40 Nomination and selection process of the Board of Directors

With regard to the election and terms of office of members of the Board of Directors, see → **Business Report > Corporate governance > Board of directors > Elections and terms of office**.

G4-41 Processes in place for the Board of Directors to avoid conflicts of interest

Detailed information on all members of the Board of Directors, including their memberships in other organizations, can be found in → **Business Report > Corporate governance > Board of directors**.

The Articles of Incorporation and the → **organizational regulations of the board of directors** stipulate how conflicts of interest of members of the Board of Directors are avoided: The members of the Board of Directors are obliged to refrain from involvement in the handling of matters affecting either their personal interests or those of a company with which they have an affiliation. This obligation to refrain from involvement has no influence on the requirements for a quorum when passing resolutions. Business dealings between the company and members of the executive or governing bodies or related parties are subject to the principle of conclusion at conditions as with independent third parties.

G4-42 Role of top management and Board of Directors in development of guiding principles and strategies

Geberit's longstanding success is based on the fact that, together with the Board of Directors, the Group Executive Board pursues a long-term perspective. The Board of Directors and Group Executive Board have defined and adopted key mission statements and principles such as the Geberit Compass and the Geberit Code of Conduct, see → **G4-56**. The → **Sustainability Strategy** is examined and approved by the Group Executive Board and the Board of Directors, see → **G4-45**.

G4-43 Measures to further enhance the top management's and Board of Directors' related know-how on economic, ecological, and social topics

Internal business processes are designed to ensure continuous improvement and innovation. These values are closely associated with the Geberit brand. At the same time, stakeholder concerns are taken seriously, and the Group Executive Board and Board of Directors receive feedback and input for the continued development of the sustainability strategy as part of the stakeholder panel, for example.

Every year, the Board of Directors undertakes at least one assessment of the way in which it works together. This includes an assessment of how well-informed the members of the Board of Directors are about the Group and its business performance, see → **organizational regulations of the board of directors**.

G4-44 Processes for evaluation of the sustainability performance of the Board of Directors

Geberit's longstanding success is based on the fact that, together with the Board of Directors, the Group Executive Board pursues a long-term perspective, thus enabling the company to demonstrate its performance clearly in areas including sustainability. There is no formal procedure for assessing the performance of the Board of Directors from an integrated sustainability perspective. As part of the annual review of the sustainability strategy, findings are discussed and areas where action is needed are determined, see → **G4-45**.

Geberit's remuneration policy states that remuneration programs must be balanced between the reward of short-term success and long-term value creation. For information about the remuneration of the management bodies, see → **Business Report > Remuneration report**.

G4-45 Board level procedures for overseeing sustainability performance

The → **Sustainability Strategy** is examined and approved by the Group Executive Board and the Board of Directors. Results and the achievement of objectives are submitted to the Group Executive Board and Board of Directors for verification at least once annually. This also comprises the → **Communication on Progress UN Global Compact** and the Geberit Compliance Report, including the audit results with respect to the Code of Conduct.

In 2014, Geberit consulted an → **external Stakeholder Panel** for the second time. Its mandate consisted of providing feedback on the sustainability strategy and sustainability communication, as well as the associated risks and opportunities. This input is used for the strategic review and continued development of the company.

G4-46 Assessment of the effectiveness of sustainability related risk management procedures

Based on the Organization Regulations of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks linked to the business activities. This process includes the risk identification, analysis, control and reporting.

Operationally, the Group Executive Board is responsible for the controlling of the risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for the risk management and monitor their implementation. Every other year, the Internal Audit Department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis.

For an overview of the Geberit compliance system, see → **Business Report > Business and financial review > Compliance**.

G4-47 Frequency of review of risks and chances in the area of sustainability

The impacts, risks and opportunities are discussed by the Group Executive Board and Board of Directors annually in connection with the → **Materiality analysis** and the → **Sustainability Strategy**.

G4-48 Review and approval of sustainability reporting

Sustainability reporting is examined and approved by the Board of Directors and Group Executive Board as part of the integrated annual report.

G4-49 Procedure for communicating crucial concerns to the Board

The Board of Directors is available at any time to address the concerns of stakeholders and shareholders.

G4-50 Nature and total number of critical concerns communicated to the Board

Matters brought by shareholders before the General Meeting will be dealt with in accordance with the Articles of Incorporation. In addition, only a very small number of matters were submitted directly to the Board of Directors in 2014. It proved possible to discuss and to settle these matters directly with the individuals concerned. There are no significant matters outstanding at the present time.

G4-51 Renumeration policies for highest governance body's

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of its remuneration policy, see → **Business Report > Remuneration report**.

G4-52 Process for determining remuneration

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of remuneration to the Board of Directors and Group Executive Board, see → **Business Report > Remuneration report**.

G4-53 Handling of stakeholder views on remuneration

In advance of the 2014 General Meeting, the transparency of the remuneration system was improved and stakeholder concerns addressed, see → **Business Report > Remuneration report**.

G4-54 Annual total compensation ratios

The ratio of the annual remuneration paid to the highest-paid employee to the level of annual remuneration for all employees (excluding the highest-paid employee) was 25.0 in Switzerland, 5.2 in Germany, 3.6 in Austria and 3.2 in Italy.

G4-55 Annual compensation related percentage increase ratios

The ratio of the percentage increase in annual remuneration paid to the highest-paid employee to the level of the percentage increase in annual remuneration for all employees (excluding the highest-paid employee) was 8.8 in Switzerland, 2.1 in Germany, 2.3 in Austria and 8.8 in Italy.

7. Ethics and Integrity

G4-56 General principles and code of conduct

The most important central guidelines and fundamental values are summarized in the Geberit Compass. This provides the framework within which this global organization is to achieve its vision and objectives.

As a multinational group and one of the world's top performers in the field of sanitary technology, a clear code of conduct is required if Geberit is to work successfully with internal and external individuals and institutions. These principles are laid down for employees in the → **Geberit Code of Conduct**, which was revised in 2014. Geberit also operates in accordance with the ten principles of the UN Global Compact.

Other specific guidelines that are important to Geberit are the:

- → **Geberit safety policy and principles**
- → **Geberit Code of Conduct for suppliers**
- → **SQS and IQNet certificate ISO 9001/14001**
- UN Guiding Principles on Business and Human Rights

G4-57 Mechanisms for securing ethical and lawful behavior

Geberit has established an effective compliance system to ensure that its conduct is both ethical and in compliance with the law. Action on compliance focuses on the five key topic areas of "antitrust legislation", "corruption", "employee rights", "product liability" and "environmental protection", see → **Business Report > Business and financial review > Compliance**.

Conformity with the Code of Conduct for employees is subject to binding controls each year. All Geberit Group companies receive around 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit Department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in accordance with the guidelines of the Global Reporting Initiative (GRI) in this report.

G4-58 Mechanisms for reporting concerns regarding unethical or unlawful behavior

The Board of Directors and Group Executive Board are available at any time to address the concerns of stakeholders.

Employees who openly address irregularities which represent breaches of applicable law, ethical standards or this Code of Conduct are acting correctly and in accordance with the Geberit Code of Conduct. As a general rule, employees should seek a personal meeting with their supervisor. The → **Geberit Integrity Line** is available to all employees as a whistleblower hotline. This service is intended to enable employees to anonymously report cases such as sexual harassment or when a corrupt payment is being covered up. The Integrity Line is operated by an external company with experience in this area, and is available around the clock seven days a week.

8. Economy (EC)

8.1 Economic Performance (EC)

Management Approach - Economic Performance
As a key objective of the company, the economic performance of the Geberit Group is under the strategic control of the Board of Directors and the operational management of the Group Executive Board (aspects economic performance, market presence, indirect economic effects).

A clear strategy and its consistent implementation are crucial for long-term success. The tried-and-tested strategy rests on four pillars:

1. Focus on sanitary technology
2. Commitment to innovation
3. Selective geographic expansion
4. Continuous optimization of business processes

For detailed explanations of the four strategic pillars, see → **www.geberit.com > Company > Vision and Strategy**.

For a discussion of the economic position of the Geberit Group, see → **Business Report > Business and financial review**.

G4-EC1 Economic performance
Significant indicators for the generation and distribution of value in accordance with the GRI requirements can be found in the financial report:

Direct Economic Value Added

- Sales and operating profit, see → **Financial Report > Consolidated financial statements Geberit Group > Income statements**.

Economic Values Passed On

- Operating expenses excl. personnel expenses, see → **Financial Report > Consolidated financial statements Geberit Group > Income statements**.
- Personnel expenses, see → **Key figures Sustainability > Employees and society**.
- Payments to providers of capital, see → **Financial Report > Consolidated financial statements Geberit Group > Statements of cashflows**.
- Social commitment, see → **G4-EC7**.

Retained Economic Values

- Investments in and divestments of property, plants and equipment, see → **Financial Report > Consolidated financial statements Geberit Group > Income statements**.
- Share buyback, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 22**.

G4-EC2 Financial implications of climate change
The Intergovernmental Panel on Climate Change (IPCC) presented its most recent report at the end of March 2014. The message contained in the IPCC report is unequivocal: Global warming is a reality, and climate change is impacting on the availability of water resources worldwide. In 2010, the World Bank forecast that the adjustment to an increase in temperature of the global climate of two degrees Celsius between 2020 and 2050 would cost between USD 70 and 100 billion per year. 20 percent of this is attributable to water supply and flood protection measures. Around a third of the global population is already living in regions in which water resources are scarce. Europe is increasingly affected, especially the southern and eastern Mediterranean region where, according to the European Commission's Green Book, available water resources will halve within the next 50 to 100 years. For people in economically weak regions in particular, this trend is often associated with a lack of drinking water, hygiene problems caused by waste water and slower economic growth. Sustainable water use is essential for ensuring viable social and economic development around the world. Water is of central importance for nutrition, health, the environment, the economy and energy production. Sensible water management therefore calls for cross-sector solutions.

These trends will determine the sanitary technologies of the future. Water-saving, resource-efficient products will become increasingly important. Geberit is taking advantage of the opportunity to meet the growing worldwide demand for water-saving products and to contribute towards the diligent handling of water, thus making a name for itself as a leader in sustainability. Products classified as special water-saving products already make a substantial contribution to Group sales.

Compared to these relatively high chances of success, Geberit is exposed to an average risk of natural disasters triggered by climate change which can fundamentally affect production areas or transport areas. None of the production sites is particularly at risk in this respect, however. As Geberit does not operate in the classically energy-intensive industries, there are currently no special CO_2 regulations such as statutory emission limitations. On the other hand, Geberit is indirectly affected by higher energy or raw materials prices and by generally increasing requirements in terms of energy management. With its internal energy master plan, the targeted introduction of the ISO 50001 energy management system, and the measures related to its CO_2 strategy (see → **aspect Emissions**), Geberit is reacting proactively and is working continuously on saving energy, improving its energy efficiency and reducing its CO_2 emissions. Thanks to these efforts, electricity consumption in 2014 was lower than that in 2006, even though currency-adjusted sales grew by 39% during the same period. In the same period, it was also possible to reduce absolute CO_2 emissions by around 19%. In this way, the company is saving on energy costs and reducing the risks associated with CO_2 emissions.

As far as corporate risks are concerned, the Audit Committee of the Board of Directors introduced a comprehensive system for the monitoring and management of the risks associated with the company's business activities, including the risk category CO_2 emissions, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 4**.

G4-EC3 Scope of the organization's defined benefit plan obligations
The Geberit Group sponsors defined benefit plans for its employees in Switzerland, Germany, Austria and the USA. For further information, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 3 > Retirement benefit plans** and → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 17**.

G4-EC4 Significant financial assistance received from government
Significant assistance received from the public sector includes:

- For information on income taxes, see → **Financial Report > Consolidated financial statements Geberit Group > Notes > Note 26**.
- Investment subsidies for new investments to promote the respective business location and secure jobs: CHF 1.8 million (Slovenia: CHF 1 million, Switzerland: CHF 0.5 million, Germany: CHF 0.3 million).
- Contributions received to support training and part-time employment prior to retirement: CHF 0.2 million.

The public sector is not represented on the Board of Directors of the Geberit Group.

8.2 Market Presence (EC)

Management Approach - Market Presence
Geberit has grown from a family-run firm into a listed global company that has proven its ability to adapt to a rapidly changing environment. Geberit's characteristic values, skills and a shared understanding of products provide the business framework for the company's representatives in 41 countries. Within its core strategy (see → **Management approach economic performance**), Geberit's aim is to ensure that production plants and sales companies alike function well as units which enjoy a high degree of autonomy. A high level of acceptance among the local workforce is a fundamental part of this, thanks in part to an attractive pay structure and the involvement of local know-how at the management level.

G4-EC5 Ratio of standard entry-level wage compared to local minimum wage
Geberit pays market-rate wages, taking into account local circumstances and laws. When selecting employees and determining their assignment in the company, Geberit attaches great importance to qualifications appropriate to the task description. In accordance with their qualifications, the majority of Geberit employees at the 17 production sites and at the sales companies are paid well above the minimum wage range. Stability and a high level of motivation among employees are important to Geberit. This is being encouraged at the new site in India, for example, by means of a comparatively attractive pay structure. The applicable requirements on minimum wages are well met.

G4-EC6 Procedures for local hiring
Geberit has no personnel policy or employment practices providing for the preferential treatment of persons from local vicinities in connection with the hiring of members of management boards for the respective country organizations. However, Geberit would like to establish organizations at its production and sales sites that function on a local basis, which is why it always integrates locally appointed managers. For example, the sales companies in India and China are both headed by a managing director who has been recruited locally.

8.3 Indirect Economic Impacts (EC)

Management Approach - Indirect Economic Impacts
Indirect economic impacts arise primarily due to positive side-effects from direct economic action. Geberit aims to achieve sustained improvement in the quality of people's lives through innovative solutions in sanitary technology. The economy benefits from this in several respects: through the contribution to a durable, resource-efficient sanitary infrastructure, through know-how transfer in the sanitary industry, via impetus for the economy in regional economic areas, and through suppliers. There is no management approach to indirect economic impacts in the narrower sense. Instead, the company works with the stakeholders concerned to identify the best solutions in each case.

Geberit pursues a clear strategy as part of its social engagement, and therefore supports social projects each year that exhibit a relationship to the topic of water and sanitary facilities, as well as to Geberit's core competencies and corporate culture. Social projects also play an important role in training. Working on these projects provides Geberit apprentices with the opportunity to develop abilities and social skills that aid their personal and professional development. At the same time, social engagement also contributes to the implementation of the Millennium Development Goal of the United Nations, which has the aim of providing people worldwide with access to clean drinking water and basic sanitation.

G4-EC7 Investments in infrastructure and services primarily for public benefit
Donations and financial contributions, including product donations, totaling CHF 3.3 million (previous year CHF 3.1 million) were made during the reporting year. In addition, Geberit employees contributed 2,770 hours of charitable work (previous year 1,340 hours). Geberit also supports facilities for disabled persons and long-term unemployed, where simple assembly and packaging work in the amount of around CHF 5.5 million was carried out in 2014 (previous year CHF 4.4 million). See also → **Key figures Sustainability > Employees and society**.

The focus was on the following projects and partnerships in 2014:

- Conducting a → **social project** in Varanasi in northern India: Renovation of sanitary facilities at the Kiran Village, a training institution with boarding school for around 360 disabled children and young people.
- Continuation of the partnership with Helvetas on the topic of clean drinking water and sanitary facilities. This included holding a → **joint donations campaign** with Geberit employees to raise CHF 40,000 for four new wells in Mozambique, thus giving 3,000 people access to clean drinking water.
- Cooperation with the charitable organization "Swiss Water Partnership" to promote international dialog on the topic of water.
- Installing sanitary facilities at the new occupational therapy center for the mentally disabled at the Boscana Foundation in Barcelona (ES).
- Financial commitments to diverse social projects, including a substantial donation to LIV, a South African organization which provides care and shelter for orphans in purpose-built villages.
- Initiation of a corporate volunteering project for 16 employees at the Rapperswil-Jona (CH) site, enabling them to take part in the WARM (Water Resources Management) project in Nepal for two weeks.

G4-EC8 Indirect economic impacts

Geberit forms part of the value chain in the construction industry. It has significant indirect economic impacts "downstream" on the customer side at planners, plumbers and end users, as well as "upstream" at suppliers and transport companies. Continuous investment in 17 production plants in Europe, China, India and the USA, as well as the logistics center in Germany, will strengthen these individual economic areas.

Geberit know-how and products significantly reduce the burden on water and waste water systems. According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. In 2014 alone, the water saved amounted to 2,128 million cubic meters. This is more than half of the annual consumption of all German households.

Geberit is committed to sustainable sanitary systems which, as elements in construction, help to shape infrastructure as a whole. For example, Geberit actively worked on adapting the applicable standard for the dimensioning of waste water piping to smaller diameters. This is important so that the full functionality of the piping system is ensured even with lower quantities of waste water. Geberit also supported WELL (Water Efficiency Label), a product classification system for water-saving and resource-efficient sanitary products that was introduced in 2011. Similar to its work in the field of waste water hydraulics, Geberit also played a major part in ensuring that topics such as noise insulation and fire prevention, as well as hygiene in drinking water and sanitary areas, have been developed to the benefit of the end user and laid down in standards and recommendations.

Geberit lends impetus to the sanitary industry with innovation and new products that are sold and implemented worldwide by wholesalers, plumbers and planners. During 2014 alone, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 information centers in Europe and overseas, see → **Business Report > Business and financial review > Customers**. Education and training for 232 apprentices and students continues to be supported, as does research on sanitary technology and green building, by cooperation with institutions such as the Swiss Federal Institute of Technology (ETH) in Zurich (CH) and Tongji University (CN).

The indirect economic impacts on suppliers and transport companies are also significant. The Group's cost of materials in 2014 was CHF 646.0 million (previous year CHF 606.4 million). Geberit has relations with a total of more than 1,200 suppliers. The company does not have its own transport fleet and contracts external transport companies for logistics services.

9. Environment (EN)

Geberit has long stood for a high level of environmental awareness and been committed to environmentally friendly, resource-efficient production as well as the development of water-saving and sustainable products. Environmental criteria are considered in all decision-making processes. In addition, processes are continuously being optimized so that a proven high standard is achieved which often greatly exceeds legal requirements. Geberit's environmental principles are defined in the → **Code of Conduct**.

Systematic, Group-wide environmental management takes center stage. This is the remit of the central Environment and Sustainability department. Guidelines and measures pertaining to all aspects of the GRI guidelines are coordinated here. Since 1992, a network of environmental managers has been practicing active environmental protection at the production plants, thus ensuring that the targets and measures laid down in the → **Sustainability Strategy** are implemented worldwide. The persons in charge at all locations meet at least once every year to exchange experiences and share best practice. The most recent meeting took place in September 2014.

All production sites and logistics as a whole work with an integrated management system and have a → **Group certificate in accordance with ISO 9001 (quality) and ISO 14001 (environment)**. By mid-2016, all plants will also integrate the OHSAS 18001 standard for occupational health and safety management and individual sites will integrate the ISO 50001 standard for energy management. The first sites such as → **Lichtenstein** already set standards in 2014 with the certification of a fully integrated management system for quality, environment, energy and occupational health and safety. Software-based, uniform monitoring of the environmental performance, the energy master plan and occupational safety is carried out Group-wide.

The preparation of an annual corporate eco-balance has been an integral part of Geberit's environmental strategy since 1991. The corporate eco-balance covers 17 production plants worldwide, the logistics center in Pfullendorf (DE) and the seven largest sales companies. The corporate eco-balance permits an overall assessment of environmental impact in terms of eco-points.

The absolute environmental impact for the Group declined by 1.6% in 2014 (previous year decrease of 2.1%). This is due primarily to improved energy efficiency, an increase in the share of green electricity and a reduction in waste that damages the environment. Sales after currency adjustment grew by 6.4% in the same period. The relative environmental impact with respect to sales (currency-adjusted) improved by 7.5% and exceeded the target figure of 5%.

Detailed key figures on the environmental impact are provided at → **Key figures Sustainability > Environment**.

9.1 Materials (EN)

Management Approach - Materials
The use of raw materials, semi-finished products and finished products with a global procurement value of CHF 646.0 million is a significant production factor for Geberit. At around 12,200 TJ, the consumption of "gray energy" associated with purchased materials is around 19 times the entire energy consumption of the production plants themselves. This emphasizes the importance of treating raw materials with care. The resource-efficient use of raw materials is determined as early as the product development process as part of eco-design workshops, see → **Management approach products and services**.

G4-EN1 Materials used
The most important materials for production are plastic and metal raw materials, semi-finished products and finished products. A total of 198,229 metric tons of materials were used in 2014 (previous year 183,433 metric tons). Detailed key figures on the use of materials can be found at → **Key figures Sustainability > Environment**.

For packaging materials used, see → **G4-EN28**.

G4-EN2 Percentage of recycled material
When estimating the share of recycled material in production, a distinction is made between external and internal sources.

External sources:
The share of recycled material in purchased metals is relatively high. This data originates from the Wuppertal Institute for Climate, Environment and Energy (2008). Extrapolated, the raw material metal purchased contains around 28,000 metric tons of recycled material.

With plastics, virgin material is primarily used. The search for suitable, high-quality regranulate from external plastic waste is an integral part of Geberit's procurement strategy. In terms of the material ABS, a suitable alternative made of 100% recycled material was found. This alternative is based on high-quality plastic waste from the electronics industry (e.g. used computer cases). According to the supplier, the manufacture of this regranulate consumes over 80% less energy compared to the manufacture of a metric ton of new petrochemical-based plastic. Furthermore, between one to three metric tons less CO_2 are released into the atmosphere, depending on the material. In 2014, over 400 metric tons of ABS regranulate were used for the mounting frames for concealed cisterns. Thanks to an intelligent redesign, half of the material for the new OEM flush valve type 240 is made of high-quality ABS regranulate, representing a further increase in the volume used. The use of plastic regranulate is generally to be increased further and applied to other product areas.

Internal sources:
In terms of the raw material plastic, recycled material is primarily generated internally and is ground on site or via a decentralized mill and fed back into the process. The proportion fluctuates depending on the manufacturing process. For blow molding it is around 35%, for injection molding around 15%, depending on product class, and for pipe extrusion around 3%. This corresponds to a total of around 7,740 metric tons.

9.2 Energy (EN)

Management Approach - Energy
With a share of 93.2%, the consumption of energy in the form of electricity, combustibles and fuels represents Geberit's greatest environmental impact. An energy master plan is being implemented in the largest plants to manage and plan energy consumption. This is based on the three pillars "energy saving", "increased energy efficiency" and the "targeted expansion of the share of renewable energy sources". With its energy master plan, Geberit is pursuing long-term aims. The share of combustibles from renewable sources should be increased to 25% (2014: 19%), and the share of electricity from renewable sources to 60% (2014: 37.4%) by 2020.

Energy management is practiced systematically and uniformly in production: Following on from Lichtenstein (DE), the Pfullendorf (DE) and Langenfeld (DE) plants were also certified according to the ISO 50001 standard for energy management for the first time in 2014. In addition, software introduced in 2012 permits the Group-wide monitoring of environmental impact and the energy master plan, as well as monthly monitoring of energy consumption.

For the development of energy-efficient products, see → **Management approach products and services**.

G4-EN3 Energy Consumption within the Organization
Geberit generally uses energy purchased externally. The direct energy carriers (Scope 1) include heating oil extra light, natural gas and the fuels diesel and gasoline. Consumption of natural gas was reduced by 12.3% (previous year increase of 4.8%) and heating oil consumption was reduced by 35.3% (previous year reduction of 31.0%). Fuel consumption fell slightly by 0.8% (previous year increase of 1.6%).

Since 2012, a block heating station has been in use in Pfullendorf (DE). This plant was fed by 8.8 GWh of regionally produced biogas in 2014. The electricity generated by the plant (3.2 GWh) is fed into the transmission grid and the resulting heat (4.1 GWh) can be used in production, thereby substantially reducing the use of natural gas. The efficiency of the plant is 83%.

At Geberit, only electricity consumption is significant for indirect energy consumption (Scope 2), and it simultaneously represents the greatest environmental impact. In terms of end energy, electricity consumption increased by 1.8% (previous year decrease of 1.5%), which was lower than the growth in production volumes. Electricity consumption was thus lower than in 2006, even though currency-adjusted sales grew by 39% during the same period. The share of purchased green electricity was increased by 2.4 GWh to 23.4 GWh in 2014 – meaning that renewable sources of energy now account for 37.4% of total electricity consumption (target 60%).

Since 2013, the roof area at the plant in Givisiez (CH) has been made available to an energy services provider for a 3,050 m^3 photovoltaic installation. It generated 0.5 GWh of electricity in 2014. However, this contribution is not included in the energy balance as the energy produced is managed by the regional energy supplier.

For detailed key figures on the consumption of combustibles and fuels (Scope 1), as well as electricity (Scope 2) and the electricity mix, see → **Key figures Sustainability > Environment**. The calculation of energy data is based on the internationally recognized Ecoinvent database (version 2.0) and the individual continental electricity mix.

G4-EN4 Energy Consumption outside of the Organization
Where the energy balance outside the organization is concerned, Geberit concentrates on purchased materials, intercompany and distribution logistics, and business travel.

In 2014, purchased materials resulted in "gray energy" consumption of around 12,200 TJ (previous year 10,670 TJ).

For the environmental impact caused by logistics, see → **G4-EN30**.

Business flights have been recorded and included in the assessment since 2012. The flight distances are calculated according to the respective departure and arrival airports. The CO_2 emissions comprise direct and indirect emissions and are based on the Ecoinvent database (version 2.2), see → **G4-EN17**.

G4-EN5 Energy Intensity
Energy intensity is an important performance indicator at the production plants, and is monitored monthly in the form of a key figure. Those plants which are ISO 50001-certified have also introduced a more refined system of monitoring.

G4-EN6 Energy saved
Important energy-saving measures in production include:

- the continuous modernization of the machine fleet
- the purchase of energy-efficient systems
- increasing the capacity utilization and efficiency of production installations
- the optimization of cooling systems through the use of natural ambient cold (free cooling, ground water)
- the improved use of waste heat available internally (heat recovery)
- the careful use of compressed air
- the insulation of buildings

Concrete examples show the clear efficiency gains that the reduction in relative energy consumption has been contributing to for years.

- The number of injection molding machines retrofitted with energy-efficient drive technology was increased in the reporting year from 94 to 109. Analyses show that a modified machine consumes over 40% less energy on average.
- Replacing an old blow molding machine in Pfullendorf (DE) with the latest machine technology contributes to a reduction in energy consumption of around 0.6 GWh per year. The central material distribution with integrated preheating of granulate was implemented at the same site. This results in savings of around a further 0.6 GWh per year.

- From 2015, a new raw material for the inner layer of Mepla pipes will be used at the plant in Givisiez (CH). While maintaining the very highest product quality for customers, this will reduce the consumption of water and natural gas by around 50%.
- By carefully planning new buildings, the company is also investing in the energy-efficient infrastructure of the future, for example at the new, → **top-modern plant in Ruše (SI)**. The site's sophisticated holistic energy concept includes the use of all waste heat from industrial processes as well as the complete absence of fossil fuels. The available ground water is used for cooling, while rainwater is collected and used both as fire fighting water and for watering the surrounding area.

G4-EN7 Energy-efficient products
The biggest environmental contribution by Geberit products lies in the conservation of water, which indirectly also saves on energy. A number of estimates illustrate the scale of this saving: According to the Ecoinvent database (version 2.1), some 9.3 MJ of energy are required and 0.61 kg of CO_2 emissions are released per cubic meter for the conveyance, processing and distribution of water and the subsequent treatment of the waste water in a wastewater treatment plant. The → **water footprint** calculated for Geberit shows that nearly 100% of water consumption is attributable to the usage phase. The water volume saved owing to Geberit products is enormous: According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. These water savings go hand-in-hand with substantial energy savings.

Direct energy savings when using the products are made possible thanks to systematically improved energy efficiency. Current examples include:

- The new → **shower toilet Geberit AquaClean Mera Comfort**, a premium-class complete solution featuring the highest levels of comfort. The patented WhirlSpray shower technology ensures particularly thorough, gentle cleaning while virtually halving water and energy consumption. The hybrid hot water technology with continuous flow heater and boiler only heats the water spray when required. The odor extraction unit now works with a long-life catalytic filter that needs to be replaced less often. Despite these additional comfort functions, the energy consumption is comparable to that of the AquaClean 8000plus.
- The → **Monolith Plus** sanitary module sets new standards in both comfort and style, while permitting a high degree of energy efficiency: Its integrated odor extraction unit means window ventilation is no longer required and a considerable amount of energy can be saved.
- The Geberit actuator plate Sigma70, which was launched on the market in 2014, distinguishes itself through its refined elegance and a patented servo technology that does not require an external energy source due to its use of pipe pressure. Thanks to this technology, a gentle press suffices to trigger the dual flush.

9.3 Water (EN)

Management Approach – Water
The → **water footprint**, which covers Geberit's entire value chain, shows that nearly 100% of water consumption is attributable to the use of the products, while the manufacture of the products by Geberit accounts for less than 0.1% of water consumption. For the development of water-saving products and Geberit's commitment beyond product development, see → **Management approach products and services**.

The corporate eco-balance shows a similar picture. Here, water consumption and subsequent waste water treatment also account for only a minor share – 0.8% – of the company's environmental impact. Despite this, Geberit also aims to serve as a role model with respect to its own water consumption and to further optimize its water consumption every year. This includes measures such as reusing water in laboratories, optimizing fresh water test runs in development, and process optimization.

G4-EN8 Water consumption
Geberit mainly uses fresh water from the public water system, together with well water and rainwater. Thanks to targeted saving measures, the consumption of fresh and well water has been reduced by 39% since 2006 and is now leveling out at a low level. In 2014, water consumption amounted to 131,289 m^3 (previous year 131,938 m^3), confirming that Geberit is on track to meet its long-term target of reducing consumption by 5% per year.

Key figures concerning water consumption by source can be found at → **Key figures Sustainability > Environment**.

G4-EN9 Water sources significantly affected by withdrawal of water
Geberit production plants' water consumption does not place a considerable burden on water sources as defined in the GRI guidelines.

G4-EN10 Water recycling
Throughout the Group, two processes are responsible for much of the water requirements:

1. During the production of multilayer pipes in Givisiez (CH), the pipes are cross-linked in autoclaves. A total of 26,405 m^3 (previous year 30,670 m^3) of water was used for this purpose in 2014. Around 31% (previous year 31%), or 8,312 m^3 of this is fresh water; the remaining 69% was recycled internally.
2. Newly developed products are tested at the Geberit sanitary laboratory in Jona (CH). The tests require some 222,173 m^3 (previous year 130,700 m^3) of water annually. Only around 2% or 3,742 m^3 of this is fresh water. The remaining 98% is used in a closed-circuit system.

Based on these two processes, the estimated proportion of recycled water in the Geberit Group is 62%.

9.4 Emissions (EN)

Management Approach – Emissions
A comprehensive CO_2 footprint has been calculated since 2012. The CO_2 footprint covers the entire value chain – from the provision of raw materials, the manufacturing of products at Geberit, logistics and use, right through to disposal. An analysis of the CO_2 footprint revealed that product use (66%) and the provision of raw materials (22%) are by far the largest sources of CO_2 emissions. During product use, the provision of water, treatment of waste water and generation of hot water play a central role. Production by Geberit accounts for only 3% of total CO_2 emissions. In comparison, the transport (1%) and disposal (8%) of the products also cause only few emissions.

Production emissions are recorded and analyzed in detail as part of the corporate eco-balance – CO_2 emissions are particularly crucial to Geberit. → **Other air emissions** (NO_x, SO_2, hydrocarbons etc.) are also recorded and calculated, but have a comparatively minor impact on the environment.

Under the established → **CO_2 strategy** the CO_2 emissions per sales (currency-adjusted) should be reduced by 5% per year on average between 2006 and 2015. Geberit is on track here, see → **G4-EN18**. In line with the "best-in-class" approach, ambitious long-term goals were drawn up at the end of 2012. Based on organic growth, CO_2 emissions should be reduced by 20% by 2020 compared with the base year 2000, in line with the EU target values. In addition, the share of combustibles from renewable sources should be increased to 25% and the share of electricity from renewable sources to 60% by 2020.

The measures for implementing the CO_2 strategy are based on the three pillars «energy saving», «increased energy efficiency» and «targeted expansion of the share of renewable energy sources», see also → **Management approach energy**.

The calculation of greenhouse gas data is based on the internationally recognized Ecoinvent database (version 2.1) and the continental electricity mix. The data covers the Scope 1 and 2 as well as Scope 3 to a certain extent as per the GHG Protocol (see The Greenhouse Gas Protocol (GHG) Initiative – A Corporate Accounting and Reporting Standard (revised edition, 2004) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)). The six leading substances as per the Kyoto Protocol (CO_2 fossil, CH_4, N_2O, HFC, PFC and SF_6) were used for the calculation of greenhouse gas emissions and shown as a sum parameter (CO_2 equivalents or simply CO_2).

G4-EN15 Direct greenhouse gas emissions (Scope 1) and G4-EN16 Indirect greenhouse gas emissions (Scope 2)
In absolute terms, CO_2 emissions (Scopes 1 and 2) decreased by 1.0% to 69,230 metric tons in 2014 (previous year 69,909 metric tons). They have been cut by 19% since 2006 – with the figure as high as 42% if currency-adjusted sales are taken into account. Geberit is thus on track to meet its long-term target.

At 76%, electricity consumption is by far the largest source of CO_2, followed by combustibles and fuels. Just the purchase of 23.4 GWh of green electricity in Pfullendorf (DE), Daishan (CN), Givisiez (CH) and Weilheim (DE) reduces the CO_2 emissions by more than 13,915 metric tons.

Key figures concerning greenhouse gas emissions can be found at → **Key figures Sustainability > Environment**.

G4-EN17 Other relevant greenhouse gas emissions (Scope 3)
Where other indirect greenhouse gas emissions (Scope 3) are concerned, Geberit concentrates on the following categories:

- The raw materials used and the CO_2 emissions that result from them: 560,800 metric tons (previous year 489,400 metric tons).
- The provision of combustibles and fuels (in → **G4-EN15**, which accounted for some 2,032 metric tons from combustibles and around 2,231 metric tons from fuels in 2014.
- Logistics (see → **G4-EN30**), which caused a total of 28,282 metric tons of CO_2 emissions in 2014 (previous year 27,483 metric tons).
- Business travel by air, at 711 metric tons of CO_2 emissions (previous year 663 metric tons).

G4-EN18 Greenhouse gas emissions intensity
In relation to currency-adjusted sales, CO_2 emissions (Scopes 1 and 2) declined by 6.9% in 2014 – thus outstripping the annual target of 5%. Since 2006, relative CO_2 emissions have fallen by a total of 42% – meaning that Geberit is also on track to meet its targets for the long term.

For more detailed key figures concerning greenhouse gas emissions in relation to the Group's currency-adjusted sales, see → **Key figures Sustainability > Environment**.

G4-EN19 Initiatives to reduce greenhouse gas emissions
CO_2 emissions were cut by 679 metric tons (previous year 1,944 metric tons) in 2014. This reduction was the result of a series of specific measures.

In 2014, Geberit purchased another 2.4 GWh of certified green electricity, bringing the total to 23.4 GWh. Overall, renewable energy sources thus accounted for 37.4% of electricity (target figure for 2020: 60%).

The share of renewable energies when it comes to combustibles is also being increased gradually. An important milestone was reached in 2012 with the commissioning of the block heating station in Pfullendorf (DE), which was fed by 8.8 GWh of regionally generated biogas in 2014. This already brought the share of renewable energies for combustibles to 19% in 2014 (target figure for 2020: 25%).

Fuel consumption is determined primarily by the company's own fleet of cars. Since early 2008, binding guidelines have applied for the purchase of new vehicles with the goal of reducing consumption by 10% every three years until 2012. Since 2013, this fuel reduction plan for new vehicles has been increased to 5% per year to reach an emission value of 100 grams of CO_2/km by 2020 as targeted by the EU. Furthermore, 99% of all diesel vehicles now have a particle filter.

Substantial volumes of CO_2 emissions can also be saved by consistently applying eco-design principles in new product development. A current example is the new OEM flush valve type 240. Thanks to an intelligent redesign, it was possible to increase the flush performance by 40% while also reducing the quantity of material used. In addition, half of the material is made of high-quality ABS regranulate. Indirectly, this means that almost 500 metric tons of CO_2 can be saved, corresponding to a saving of about 1 GWh of average European electricity.

Geberit promotes awareness among all employees for the promotion of environmentally friendly behavior. New employees receive training on the subject of sustainability at Geberit as part of their job orientation program. In the largest plants, this is also tailored to the target group of production employees.

All targets and measures for improving the CO_2 balance sheet are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

G4-EN20 Ozone depleting substances
Emissions of ozone-depleting substances, measured in CFC11 equivalents, can be calculated based on the Geberit Group's corporate eco-balance. The calculation includes both direct emissions from the burning of combustibles and fuels and process emissions (solvents), as well as indirect emissions resulting from electricity consumption.

Key figures on ozone-depleting substances can be found at → **Key figures Sustainability > Environment**.

G4-EN21 NO_x, SO_x and other air emissions
Emissions of NO_x, SO_2, NMVOC (non-methane VOC) and dust (PM10) can be calculated on the basis of the Geberit Group's corporate eco-balance. The calculation includes both direct emissions from the burning of combustibles and fuels and process emissions (solvents), as well as indirect emissions resulting from electricity consumption.

Key figures on these emissions are available at → **Key figures Sustainability > Environment**.

9.5 Effluents and Waste (EN)

Management Approach - Effluents and Waste
According to the corporate eco-balance, waste disposal accounted for 4.8% of the environmental impact of production in 2014. All production plants have a Geberit management system, which provides the foundation for optimized processes. The reduction and safe handling of waste water and waste is integrated into this system. In particular, the environmental management system ensures that waste is sorted so that as much as possible is recycled, and as little as possible is incinerated or ends up at landfill sites.

G4-EN22 Water discharge
Geberit does not engage in the unplanned discharge of water. All resulting domestic waste water and all process waste water is treated. In 2014, 112,521 m^3 of waste water was generated (previous year 116,719 m^3 of waste water). Of this, 71% was domestic waste water that passes into the communal wastewater treatment plant (previous year 75%), and 2.5% (previous year 2%) was domestic waste water that is pretreated and fed into receiving waters. The remaining 26.5% (previous year 23%) is waste water that is pretreated and fed to a communal wastewater treatment plant. Waste water was not directly reused by third-party companies.

Key figures on waste water can be found at → **Key figures Sustainability > Environment**.

G4-EN23 Waste
In 2014, the total waste was 11,587 metric tons (previous year 12,118 metric tons). Of this, 85% was channeled to external recycling processes (previous year 84%). The measures focused above all on the further separation of waste and the reduction of mixed waste and hazardous waste. The following examples show that considerable progress was made in the past few years: In Weilheim (DE), the manufacturing waste was reduced by 80% in five years, mainly through the use of a new foaming facility. This pioneer project was tested and implemented in several stages. Central aspects include the use of rainwater for cleaning, which is then added to the foaming process as process water, and optimized cleaning cycles to prevent residues in the plant.

Key figures concerning waste by category are provided at → **Key figures Sustainability > Environment**.

G4-EN24 Significant spills and contamination
There were no significant spills of chemicals in the reporting period.

G4-EN25 Transport of hazardous waste
In 2014, 262 metric tons of hazardous waste (previous year 269 metric tons) were disposed of by incineration and 505 metric tons (previous year 956 metric tons) were recycled. At Geberit, all waste is disposed of and recycled by licensed disposal companies.

G4-EN26 Effects of water discharges on bodies of water
This indicator is not relevant to Geberit as no bodies of water are affected by significant water discharge from Geberit facilities as defined in the GRI guidelines.

9.6 Products and Services (EN)

Management Approach - Products and Services
In addition to their quality, durability and high degree of water and resource efficiency, Geberit products also impress with their good environmental compatibility and high recyclability. The basis for sustainable products is a systematic innovation process in which the most environmentally friendly materials and functional principles possible are chosen, risks are minimized and a high level of resource efficiency is targeted for the production process as well as the product itself. Geberit regards eco-design as the key to environmentally friendly products. Employees from different disciplines take part in eco-design workshops so that each new product outperforms its predecessor in environmental aspects. The workshops involve systematic product analysis that covers the entire life cycle, a review of legal requirements and an analysis of competing products. Based on the findings of these eco-design workshops, new solutions are developed which are then adopted into the specifications for that product.

Specially created product life cycle assessments are important decision-making tools for development and provide arguments for the use of resource-efficient products. Detailed life cycle assessments have already been prepared for the following products: drainage/supply pipes, AquaClean 8000plus, AquaClean Mera Comfort, electronic lavatory taps type 185/186, concealed cisterns and urinal flush controls. The Environmental Product Declaration (EPD) in accordance with the new European standard EN 15804 is becoming increasingly important and can also be used directly for green building standards such as LEED. For example, the EPD for Geberit lavatory taps presents relevant, comparable and verified information about the product's environmental performance. A pilot project for the systematic recording of environmental data at the product level is currently underway, which should greatly simplify a further processing to EPDs and ecological product information.

The biggest environmental contribution by Geberit products also lies in the conservation of water. The analysis of the entire value chain in the form of a → **water footprint** shows that nearly 100% of the water consumption is attributable to the product usage phase. The water savings are impressive: According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 17,900 million cubic meters of water in comparison with traditional flushing systems. In 2014 alone, the water saved amounted to 2,128 million cubic meters. This is more than half of the annual consumption of all German households.

Geberit also advocates the economical use of water beyond processes and products. This can be seen by its collaboration in the development of the product classification system → **WELL** (Water Efficiency Label) introduced in 2011, its collaboration within the group for standardization for the development of the new ISO 14046 water footprint standard and its active role in the dialog with stakeholders on the European ecolabel for WCs, urinals and lavatory taps.

G4-EN27 Mitigation of environmental impact of products

The environmental impacts of Geberit's products are improved continually through the consistent application of eco-design principles in product development. Examples that make a particular contribution to reducing environmental impact include:

- Since 2011, a new technological solution has been developed to simplify the conversion of the large flush volume on nearly all concealed cisterns from 6 or 9 liters to 4.5 liters. The gradual conversion of the product range is creating great potential for even more water conservation.
- The flow-optimized → **Sovent fitting** facilitates a simplified layout for waste water discharge stacks in high-rises, saving space, resources and costs all at the same time. The fitting ensures pressure compensation and increases the discharge rate by 40%. It also permits the use of relatively small-sized discharge stacks in very high buildings.
- The AquaClean Mera complete shower toilet solution: newly developed WhirlSpray shower technology reduces water and energy consumption while improving cleaning performance, leaving energy consumption unchanged despite more comfort functions, and reducing flush volume to 4.5 liters thanks to TurboFlush flush technology.
- The new Omega concealed cistern is available in three installation heights, and with extra-small actuator plates. In addition, the large flush volume can be set to 4.5 liters, meaning the product conforms to WELL class A.
- An optimized, material-saving design was developed for various fittings in the Mepla piping system. In addition to improved flow rates, this saved around 30 metric tons of gunmetal.
- Thanks to an intelligent redesign of the new OEM flush valve type 240 – which will be launched on the market in 2015 – it was possible to increase the flush performance by 40% while also reducing the quantity of material used. In addition, half of the material is made of high-quality ABS regranulate.
- Since 2013, the user manuals for the shower toilets have been provided to the main markets in only five instead of 22 languages. This change, which was initiated by environmentally conscious customers, reduces paper consumption by some 19 metric tons per year.

G4-EN28 Reclaimed packaging material

The following quantities are based on internal estimates at the sites: On the product side, approximately 7.1 metric tons of old products (mainly electrical equipment) were taken back and disposed of professionally in 2014. In some markets (DE, CH), parts of the multilayer drinking water pipes (Mepla) are also taken back. The exact quantity is not known, but is estimated to be around 9.5 metric tons Group-wide. In 2014, approximately 15,517 metric tons of packaging material were used, over 38% of which was collected and recycled by Geberit itself or by financed contract partners. The rest is disposed of and recycled on a country-specific basis.

9.7 Compliance Environment (EN)

Management Approach - Compliance Environment

In its → **Code of Conduct**, Geberit states that it will limit the environmental impact of its business activities to a minimum. This is achieved by means of consistent compliance with all applicable laws, internationally recognized guidelines and industry standards. With many of the initiatives that it implements, Geberit goes above and beyond legal and official requirements. Reviewing and ensuring compliance with the law is a mandatory element of ISO 14001 certification. Compliance with legislation is also monitored as part of the compulsory annual survey conducted at all Group companies.

G4-EN29 Sanctions due to non-compliance with environmental laws and regulations

No significant fines or non-monetary penalties were imposed in the reporting year.

9.8 Transport (EN)

Management Approach - Transport

Reliable, on-time product deliveries to the customer are an important core competence. For this reason, Geberit opened a state-of-the-art logistics center in Pfullendorf (DE) in 2010 and established an independent logistics unit a year later. This is already approaching its capacity limits, meaning a further expansion is planned. Geberit does not have its own fleet of vehicles, having outsourced this to external transport service providers. Intercompany and distribution logistics play a major part in Geberit's environmental impact, coming to around 35% of the total figure. Cooperation with the transport service providers is therefore of key importance. Partners agree to actively support Geberit in its efforts to use energy and packaging material efficiently and to reduce emissions. Furthermore the partners support Geberit by providing the data needed for the environmental reporting. The logistics calculator developed in 2010 facilitates the capture of data on the vehicle fleet composition, transportation performance and fuel consumption of all transport service providers, as well as the preparation of the annual eco-balance.

G4-EN30 Environmental impact of transport

In the reporting year, the largest transport service providers handled 181.0 million ton-kilometers (previous year 176.6 million ton-kilometers). This generated 28,282 metric tons of CO_2 emissions (previous year 27,483 metric tons). The increase in transport services and CO_2 emissions was mainly caused by the increase in sales and the related increase in transport volumes. The share of Euro 5 vehicles is high at 83%. Euro 6 vehicles have been compulsory for new vehicles since January 1, 2014, and already accounted for 8.4% of the total figure during 2014.

Where possible, Geberit takes the opportunity to shift truck traffic to rail. Since 2014, rail consignments have been used alongside road transport on the longest overland route in Europe, from Pfullendorf (DE) to Turkey. 80% of the goods transported from Italy and 50% of those transported to Italy are moved by train. The use of mega-trailers, which can carry an approximately 15% greater load volume, also increases energy efficiency: Compared with the previous year, the number of such transport runs was increased by 30 to 2,180. Geberit is also working on innovative solutions aimed at enabling a higher goods per truck ratio – i.e. increasing capacity utilization of the transport volume.

The pilot project with an environmentally friendly → **natural gas truck** running between Pfullendorf (DE) and Rapperswil-Jona (CH) was implemented end of 2013. The experience on this transport route proved positive. The pioneering project, which is being conducted in collaboration with a transport service provider and a truck manufacturer, is now being evaluated in detail. This will include an assessment of whether it can be transferred to other routes.

9.9 Supplier Environmental Assessment (EN)

Management Approach - Supplier Environmental Assessment
See → **chapter Suppliers**

G4-EN32 Screening of suppliers using environmental criteria
See → **chapter Suppliers**

G4-EN33 Environmental impacts in the supply chain
See → **chapter Suppliers**

10. Labor practices (LA)

Geberit's most important ambassadors are its employees. They represent Geberit in their day-to-day contact with customers and many other stakeholders. To do so, they need to be aware of what their company stands for and what its objectives are. Geberit's central corporate and brand values are defined in the Geberit Compass. Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Code of Conduct** updated in 2014 fills this objective with tangible content and offers an authoritative source of guidance.

Responsibility for all important aspects of the GRI guidelines with respect to labor practices at the Geberit Group lies with the Head Corporate Human Resources who reports directly to the CEO.

10.1 Employment (LA)

Management Approach – Employment
First-rate employees are key to the success of Geberit. Not only the best, but also the right employees are to be acquired and retained. Geberit sees itself as a company with an open corporate culture that offers attractive international development opportunities at the interface between the craft, engineering and sales sectors, see → **Career > What we offer**.

Employees enjoy attractive employment conditions. In 2014, salaries and social benefits amounted to CHF 483.9 million (previous year CHF 475.4 million). The employees can also participate in share participation plans at attractive conditions, see → **Consolidated financial statements Geberit Group, 18. Participation plans** and → **Remuneration report**.

G4-LA1 Employee fluctuation
The average fluctuation rate (in terms of employees with permanent contracts, without natural departures and long-term leaves of absence) was 5.2% (previous year 4.1%). Including natural departures, it was 6.5% (previous year 5.5%). For key figures on fluctuation by age group, gender and region, see → **Key figures Sustainability > Employees and society**.

G4-LA2 Benefits
Geberit essentially grants the same benefits to full-time and part-time employees. However, employees with temporary contracts are not always entitled to the same benefits as permanent employees. For example, employees in Switzerland with temporary employment contracts of less than three months are not insured in the pension fund. Geberit bases its employee benefits on country-specific standards.

G4-LA3 Return to work and retention rates after parental leave
Geberit implements the currently applicable legal framework conditions. It also attempts in individual cases to find solutions that are as suitable as possible for the affected person and their team.

100% of all permanently employed women are entitled to maternity leave, and 2.6% or 92 women made use of this in 2014. 78 (or almost 85%) returned to Geberit following their maternity leave and around 80% were still at Geberit one year after their return.

97% of all permanently employed men are entitled to paternity leave, and 1.6% or 57 men made use of this in 2014. 54 (or almost 95%) returned to Geberit following their paternity leave and around 74% were still at Geberit one year after their return.

10.2 Occupational Health and Safety (LA)

Management Approach – Occupational Health and Safety
The health and safety of employees is of major importance. Geberit has formulated the vision of an "accident-free company". By 2020, the accident rate is to be reduced by 50% compared with the base year 2010. For this purpose, a comprehensive master plan for occupational safety has been developed and adopted. The greatest potential lies in preventing accidents due to carelessness, and a focus is therefore being placed here on changes in behavior. All efforts are managed as part of the Geberit Safety System (GSS). Occupational safety is monitored at the production plants by means of monthly key figures, and is strongly integrated in the management culture.

All plants will integrate the OHSAS 18001 standard for occupational health and safety management by mid-2016.

The position of health manager was newly created in 2014 at the largest site in Pfullendorf (DE) in order to provide fresh impetus to occupational health management. Successful occupational health management builds bridges between the objectives of the company and the needs of its employees. In particular, this also strengthens the vitality of the individual and of the team as a whole. A Vitality program was established to round off the areas of exercise and nutrition.

For objectives and measures concerning employees and occupational safety, see also → **Sustainability Strategy**.

G4-LA5 Percentage of total workforce represented in health and safety committees
Each of the 17 production companies and logistics has a safety manager. Wherever possible and sensible, this function is combined with that of the environmental manager or closely linked from an organizational point of view. 91% of the employees at all production sites and 86% of all employees worldwide are represented through an occupational health and safety panel or safety committee in which employer and employee representatives can discuss occupational health and safety issues. As a rule, national standards for the country concerned are implemented.

G4-LA6 Accidents, occupational illness and lost time
The Group-wide absenteeism rate for the reporting year was 3.85% (previous year 4.10%); illness-related absences accounted for 3.75% of this rate (previous year 4.00%) and 0.10% was related to occupational accidents (previous year 0.10%). These figures are based on the hours effectively worked. In 2014, these amounted to 10,765,191 hours (previous year 10,661,572 hours). The statistics show only those occupational accidents that occur during working hours or business travel and lead to lost working time of more than one day. A total of 103 accidents were recorded (previous year 109 accidents), equivalent to 1,405 lost working days due to occupational accidents (previous year 1,325 lost working days). There were no serious or fatal accidents. Employees at Geberit are not exposed to a particularly significant extent with regard to occupational illnesses. This category is therefore not covered.

Furthermore, the accident frequency rate (AFR) and the accident severity rate (ASR) are recorded in a standardized manner. These rates are calculated as the number of accidents or the number of lost working days per one million hours worked. The AFR dropped by 5.9% to 9.6 (previous year 10.2) and the ASR increased by 5% to 130.5 (previous year 124.3). Geberit is therefore not yet fully on track in reducing the frequency and severity of accidents by 5% per year or by 50% between 2010 and 2020.

All key figures concerning the absenteeism rate by region can be found under → **Key figures Sustainability > Employees and society**.

G4-LA7 Assistance regarding serious illnesses
At Geberit, there are no operational activities involving a particularly high risk of contracting a serious illness or with a high incidence of illness.

As part of its Group-wide efforts to support employees' health and well-being, Geberit offers its employees precautionary healthcare opportunities through various offers and activities. These include, for example, sports facilities, anti-smoking training, health check-ups, massage services, dietary and health tips, and presentations on health-related issues. They also include reintegration counseling, which aims to get people back to work as soon as possible in the event of long-term illness. Managers are specifically trained in this respect. Examples of individual support include counseling in Rapperswil-Jona (CH) to assist with problems ranging from on-the-job pressure, partnership and family problems to debt issues, and the telephone helpline created in the USA to discuss problems at work in complete confidentiality.

G4-LA8 Health and safety topics covered in agreements with trade unions
Geberit attaches great importance to a high level of health and safety for its employees. To this end, it cooperates with authorities, trade unions and employers' liability insurance associations on a country-specific basis. Written agreements exist at all production companies and individual sales companies with parties such as trade unions and employee representatives that normally cover topics such as personal protective equipment, complaints procedures, regular inspections, education and further training and the right to refuse unsafe work.

10.3 Training and Education (LA)

Management Approach – Training and Education
Qualified and committed employees are essential for the future success of Geberit. The company therefore sets particular store on the solid education and further training of all employees and on equal opportunities.

Young people can start their careers at Geberit with a commercial, industrial or technical apprenticeship. Whether plastics technologist or industrial clerk, the aim is to impart all the skills that are required for apprentices to pursue their chosen careers in a professional, independent and responsible manner.

New employees are introduced to the company and its products through various job orientation programs on joining the company. These range from individually designed introduction talks in various departments to the one-week basic course that provides practical knowledge about Geberit in small groups.

A focus is placed on the standardized global performance assessment, development and compensation process (PDC). The goal here is to reinforce the performance culture, increase transparency and better recognize and promote talent. Remuneration policies are based on standardized job assessments and salary levels for the relevant country. A central element of the process is that several supervisors assess the performance, development and compensation of an employee together. Although this group process is time-consuming, experience suggests a high level of acceptance and effectiveness. The PDC process was expanded in 2014 to include further employees on a country-specific basis and around 1,250 employees or 20% of the entire workforce are now involved.

G4-LA9 Employee education and further training
In the reporting year, employees across the Group attended on average around 16 hours of internal and external education and further training (previous year 17 hours). For key figures by gender and employee category, see → **Key figures Sustainability > Employees and society**.

In 2014, 232 apprentices (previous year 234) were employed. The transfer rate to a work position was 82%.

G4-LA10 Programs for skills management and lifelong learning
The Potentials Management process remains a priority. Its goal is to identify talent within the company and provide targeted support. Candidates for management functions within the Group are introduced to current issues from the core business as part of an "Action Learning" program. Young talents are prepared for their first management, project management or specialist functions. These measures are intended to ensure that at least half of the open management positions can be filled by internal candidates. In 2014, it was possible for 69% of all positions in Group management to be filled internally (previous year 70%).

The management training program at the International Institute for Management Development (IMD) in Lausanne for some 160 members of Group management was completed in 2014. The course was tailored individually to Geberit's needs and included further training on strategic management, leadership and finance. The participants also received assessment in the form of 360° feedback and were able to get to know Geberit better from a range of perspectives.

There were also 123 internships and 27 diploma placements offered in 2014.

For further information, see → **Business Report > Business and financial review > Employees**.

G4-LA11 Performance and career development of employees
In everyday working life, the personal and professional development of each individual employee is encouraged in a variety of ways. This covers all areas of work, functions and age groups. Around 80% of all employees received appraisal interviews in 2014 at which development opportunities were also identified and discussed.

10.4 Diversity and Equal Opportunity (LA)

Management Approach – Diversity and Equal Opportunity
In its Code of Conduct, Geberit sets store on promoting diversity and a culture that enables all employees to contribute their full potential to the company. The company strives for diversity and promotes equal opportunities irrespective of gender, ethnic origin, skin color, age, religion and nationality.

Geberit pursues a fair and non-discriminatory employment practice in accordance with prevailing national and international law. Recruitment, training courses and promotions depend solely on individual achievements, skills and potential regarding the requirements of the position in question.

G4-LA12 Workforce diversity
The proportion of female employees at the end of 2014 was 31% (previous year 31%), and for senior management this figure was 6.9% (previous year 6.5%). The Board of Directors consists of five men.

For key figures on diversity in terms of gender and age structure, see → **Key figures Sustainability > Employees and society**.

No further data on minority group membership is currently being collected as Geberit and its stakeholders do not consider this to be relevant.

10.5 Equal Remuneration for Women and Men (LA)

Management Approach - Equal Remuneration for Women and Men
Protection of the principles of equality is anchored in the → **Geberit Code of Conduct**. This includes the prohibition of discrimination against any employee on the basis of gender. Fair and equal pay for women and men is guaranteed as follows:

- Determination of salaries primarily according to function, evaluated in accordance with the proven Hay method. A score is calculated based on the assessment criteria know-how, problem-solving and accountability. The resulting number of points is the basis for determining the salary. This guarantees fair salary structures irrespective of gender.
- Binding wage agreements with set pay grades at many Geberit sites.

G4-LA13 Gender-based differences in salaries
According to the annual binding survey of all Geberit Group companies, no differences between the basic salaries of women and men exist anywhere within the Group.

An in-depth investigation carried out at four production companies in 2011 revealed no differences between the salaries of men and women. The investigation covered the pay levels of production employees within an established site in employee-friendly Germany, at a production site of many years' standing in Slovenia and at the two Chinese sites where employee protection and fair wages are largely the responsibility of the company itself.

10.6 Supplier Assessment for Labor Practices (LA)

Management Approach – Supplier Assessment for Labor Practices
See → **chapter Suppliers**

G4-LA14 Screening of suppliers using labor practices criteria
See → **chapter Suppliers**

G4-LA15 Impacts for labor practices in the supply chain
See → **chapter Suppliers**

10.7 Labor Practices Grievance Mechanisms (LA)

Management Approach - Labor Practices Grievance Mechanisms
Employees who openly address irregularities which represent breaches of applicable law, ethical standards or this Code of Conduct are acting correctly and in accordance with the Geberit Code of Conduct. The Group Executive Board of Geberit must be informed of problems in the area of integrity in order to be able to resolve these swiftly and reliably. By openly addressing such issues, these Geberit employees are contributing to their own protection, that of their colleagues and the protection of Geberit's rights and interests.

As a general rule, employees should seek a personal meeting with their supervisor. The → **Geberit Integrity Line** is available to all employees as a whistleblower hotline. This service is intended to enable employees to anonymously report cases such as sexual harassment or when a corrupt payment is being covered up. The Integrity Line is operated by an external company with experience in this area, and is available around the clock seven days a week.

G4-LA16 Grievances about labor practices
No major cases were reported through the Integrity Line in 2014. The few registered complaints were all dealt with and issues were settled swiftly.

11. Human rights (HR)

As part of the → **Geberit Code of Conduct** Geberit commits itself to upholding human rights. As a member of the UN Global Compact and on the basis of the UN Guiding Principles on Business and Human Rights, Geberit supports compliance with human rights both internally and at suppliers and partners. Geberit deploys a comprehensive compliance process for the implementation and review of compliance with the Code of Conduct, see → **chapter Society**.

In terms of information, the promotion of awareness and controlling, human rights issues related to the business activities of the Geberit Group are the responsibility of Corporate Human Resources for internal topics (aspects equal treatment, freedom of association and the right to collective bargaining).

With respect to measures and objectives in the Code of Conduct, see also → **Sustainability Strategy**.

11.1 Investments (HR)

Management Approach – Investments
The UN Guiding Principles on Business and Human Rights apply to the business activities of Geberit. Geberit is active across the world, including in regions posing a certain degree of risk with regard to the upholding of fundamental employee and human rights. However, all Geberit Group companies throughout the world are integrated in the Geberit Compliance Program, which includes the upholding of fundamental employee protection and human rights. In addition, internal audits with compliance reviews take place at all companies of the Geberit Group.

G4-HR1 Human rights aspects in investment agreements
In 2014, there was no investment agreement in countries or areas that pose a special risk in terms of human rights violations. Compliance due diligence will always form part of future investments so that a review of the individual situation is guaranteed.
Suppliers are fundamentally required by contractual agreement to comply with the special Code of Conduct for Suppliers that contains provisions for the protection of human rights, see → **Code of Conduct for suppliers**.

G4-HR2 Human rights training for employees
In 2008, more than 98% of all employees received training on the topics contained in the Geberit Code of Conduct. Since 2009, all new employees have been receiving training in the Code as part of their introduction, with media such as training films developed especially for this. All employees worldwide have access to the Code of Conduct via the intranet. In addition, since 2012 contributions toward increasing awareness of the Geberit Code of Conduct have been published on the intranet.

11.2 Non-discrimination (HR)

Management Approach – Non-discrimination
The → **Geberit Code of Conduct** forbids discrimination as defined in the ILO core labor standards. Geberit does not tolerate either discrimination or workplace bullying on the basis of race, gender, religion, creed, nationality, disability, age, sexual orientation, physical or mental handicap, marital status, political views or other characteristics protected by law. Geberit aims to ensure a safe working environment for its employees. All forms of workplace violence, including threats, threatening gestures, intimidation, attacks and similar forms of behavior are forbidden. Compliance with the Code is verified annually as part of a binding Group-wide survey. The Geberit Integrity Line is available to all employees as a whistleblower hotline, see → **Labor practices grievance mechanisms**.

G4-HR3 Cases of discrimination
No significant cases of discrimination were reported via the anonymous Integrity Line and other informal complaints procedures in 2014. There was one case of sexual harassment that was settled amicably with the parties concerned.

11.3 Freedom of Association and Collective Bargaining (HR)

Management Approach – Freedom of Association and Collective Bargaining
Employees are completely free to join trade unions, associations and similar organizations. No rights with respect to exercising freedom of association or collective bargaining as defined in the ILO core labor standards and the UN Global Compact are subject to restriction at the Geberit Group.

G4-HR4 Guarantee of freedom of association and collective bargaining
According to the annual, binding and Group-wide survey, no infringements of the guarantee of freedom of association and collective bargaining were identified in 2014.

11.4 Child Labor (HR)

Management Approach – Child Labor
Geberit's exposure with respect to child labor is considered low because of its industry, business model (three-stage distribution channel, no project business) and the countries in which business activities are carried out as well as its high quality requirements. Geberit commits itself to the protection of human rights in its Code of Conduct. Child labor is categorically rejected.

The basic principles set out in the → **Code of Conduct for suppliers** explicitly include compliance with the ILO core labor standards for the exclusion of child labor.

G4-HR5 Risk of and precautionary measures against child labor
According to the annual, binding Group-wide survey there were no cases of child labor revealed in 2014. There were likewise no such cases arising during the audits carried out at suppliers.

11.5 Forced or Compulsory Labor (HR)

Management Approach – Forced or Compulsory Labor
Geberit's exposure with respect to forced or compulsory labor is considered low because of its industry, business model (three-stage distribution channel, no project business) and the countries in which business activities are carried out as well as its high quality requirements. Geberit commits itself to the protection of human rights in its Code of Conduct. Forced or compulsory labor is categorically rejected.

The basic principles set out in the → **Code of Conduct for suppliers** explicitly include compliance with the ILO core labor standards for the exclusion of forced or compulsory labor.

G4-HR6 Risk of and precautionary measures against forced labor
According to the annual, binding Group-wide survey there were no cases of forced or compulsory labor revealed in 2014. There were likewise no such cases arising during the audits carried out at suppliers.

11.6 Human Rights Assessment (HR)

Management Approach – Human Rights Assessment
With respect to the requirements and implementation of the Geberit compliance system, see → **chapter Society**.

G4-HR9 Operations subjected to human rights reviews or impact assessments
The upholding of human rights is subject to a binding survey at all Geberit Group companies each year as part of reporting on the Code of Conduct.

The topic of human rights as part of compliance is a component of the audit program for the periodic inspections of the production plants and sales companies by the Internal Audit Department. In 2014, the Internal Audit Department audited a total of 15 companies.

11.7 Supplier Human Rights Assessment (HR)

Management Approach – Supplier Human Rights Assessment
See → **chapter Suppliers**

G4-HR10 Screening of suppliers using human rights criteria
See → **chapter Suppliers**

G4-HR11 Human Rights related impacts in the supply chain
See → **chapter Suppliers**

12. Society (SO)

The → **Geberit Code of Conduct** describes the basic principles that have to be met in order to be an exemplary, reliable and fair business partner and employer. The content of the Code of Conduct was updated in 2014 and will be rolled out for the employees in 2015. in order to guarantee compliance with the requirements of the Code of Conduct, Geberit has established an effective compliance system that focuses on compliance in the five key topic areas “antitrust legislation”, “corruption”, “employee rights”, “product liability” and “environmental protection”. In practice, the system comprises various elements such as guidelines, continuous training, job orientation for new employees, e-learning campaigns, info circulars, compliance-related audits and the → **Geberit Integrity Line**, a whistleblower hotline for employees launched in 2013.

Anti-corruption, anti-competitive behavior and statutory compliance requirements are particularly important aspects in the category Society. Legal Services is responsible for their implementation.

As part of reporting on the Code of Conduct for Employees, compliance with the regulations set out there is subject to binding controls each year. All Geberit Group companies receive around 50 questions on the five above-mentioned topic areas. In addition, on-site audits are performed by the Internal Audit Department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Group Executive Board and are published in this Sustainability Performance Report. An in-depth audit in the area of compliance was additionally carried out by the Internal Audit Department in 2014 in cooperation with an external partner.

With respect to the measures and objectives concerning the Code of Conduct, see also → **Sustainability Strategy**.

12.1 Anti-Corruption (SO)

Management Approach – Anti-Corruption
As a member of Transparency International Switzerland and the UN Global Compact, Geberit is committed to high standards in combating corruption. There are clear guidelines for the purposes of prevention and employees receive training in this area. Compliance with the guidelines is monitored as part of an annual binding survey at all Geberit Group companies (see the individual indicators for the results). Internal auditing is supplemented by on-site audits. In the event of misconduct, corrective measures are taken.

G4-SO3 Analysis of business units for risks of corruption
According to the annual binding survey carried out at all Geberit Group companies, there were no cases of corruption in 2014.

The topic of corruption is also a component of the audit program for the periodic inspections of the production plants and sales companies by the Internal Audit Department. The annual audit planning of the Internal Audit Department is oriented to risks. Each company is audited at least every five years, or considerably more frequently if it has a heightened risk profile. In 2014, the Internal Audit Department audited a total of 15 companies. This represents approximately one third of all Geberit companies. No cases of corruption were discovered in these audits.

In addition, approximately two to three in-depth audits are carried out each year, whereby the audit focus is on the processes of Group-wide functions. One of these in-depth audits covered the topic of compliance with the support of an external partner. The audit concluded that Geberit essentially had a good and effective compliance organization that covered the risk areas relevant for Geberit in a practical manner.

G4-SO4 Training on anti-corruption policies
In 2008, more than 98% of employees were informed of and trained in the Code of Conduct. With the aid of short films (“animatics”), the training focuses on gray areas in four topics of relevance: bribery (corruption), sexual harassment, workplace bullying and IT misuse. In 2014, as before, new employees were also trained accordingly as part of the Welcome events. In addition, since 2012 contributions toward increasing awareness of the Geberit Code of Conduct have been published on the intranet.

G4-SO5 Actions taken in response to incidents of corruption
No measures were necessary, as no cases of corruption were revealed in 2014.

12.2 Anticompetitive Behavior (SO)

Management Approach – Anticompetitive Behavior
According to the → **Materiality analysis**, the prevention of anti-competitive behavior is a most material aspect. Cartels of any kind and other anti-competitive behavior are categorically rejected.

The training on antitrust legislation was continued in 2014. In Germany, all new employees received training and 12 seminars were provided for training internal and external sales staff. A focus was placed on the topic of Internet sales. In Austria, the management received training on antitrust legislation issues. Training and seminars, including e-learning programs, will be continued in the Geberit Group companies in Europe in 2015.

G4-SO7 Anti-competitive behavior
There were no pending complaints alleging anti-competitive behavior in the reporting year.

12.3 Compliance (SO)

Management Approach – Compliance
The → **Geberit Code of Conduct** requires Geberit to comply with all local, national and international laws, directives and internationally recognized standards concerning business activities. The minimum statutory requirements are often exceeded here. This applies not only to business activities within a given country or area but also to matters outside the country if these have a significant impact on the competitive situation of the country or area.

G4-SO8 Sanctions due to non-compliance with regulations
Geberit incurred no fines in 2014 resulting from violations of statutory requirements.

12.4 Supplier Assessment for Impacts on Society (SO)

Management Approach – Supplier Assessment for Impacts on Society
See → **chapter Suppliers**

G4-SO9 Screening of suppliers using criteria for impacts on society
See → **chapter Suppliers**

G4-SO10 Significant impacts on society within the supply chain
See → **chapter Suppliers**

13. Product responsibility (PR)

13.1 Customer Health and Safety (PR)

Management Approach – Customer Health and Safety
For Geberit, high quality standards mean fulfilling customers' requirements in terms of functionality, reliability and application safety to the greatest possible extent. The company is guided by the zero-error principle. Corporate Quality Management is responsible for ensuring that suitable framework conditions promote a quality culture throughout the company, and that all employees act in a quality-conscious and independent manner.

Products undergo a defined optimization process from the first draft. Product Development is responsible for ensuring that the products developed are safe and user-friendly, and that they comply with all standards and statutory requirements. As an independent department, Quality Management is responsible for defining, arranging and monitoring all necessary inspections to ensure that these requirements are met. A clear organizational distinction is drawn between development and quality management. In addition, many products are also examined by external authorization bodies.

Following market launch, an efficient handling of complaints with integrated error analysis, the initiation of sustained corrective measures and the continuous development of concepts for customer support takes place in cooperation with Sales, Production and Development. Geberit has achieved a high standard in the processing of complaints, and reacts directly and in a solution-oriented manner in each individual case.

When it comes to training its employees on Geberit products, competition, standards, industry or core topics, Geberit relies on a bundle of measures: These include a Group-wide e-learning platform rolled out in the fall of 2012 as well as global product training by specially trained instructors.

Product Development and Quality Management are responsible for customer health and safety.

G4-PR1 Health and safety impact along the product life cycle
Generally speaking, Geberit products and services involve low risks for customers in terms of health and safety. Geberit nevertheless adopts a preventive approach within the scope of its comprehensive quality planning in order to test and ensure the health and safety requirements of all products from development to certification, through manufacture and storage, to use and disposal. Among other things, Quality and Safety Management include an FMEA (Failure Mode and Effects Analysis) as a precautionary measure to prevent errors and increase the technical reliability of products. Eco-design workshops are held in the course of product development in order to optimize the use of suitable and ecological materials. If the products or their use involve an increased risk to health or safety, Geberit's technical editorial staff ensures that this is communicated appropriately to customers (see → **G4-PR3**).

G4-PR2 Non-compliance with health and safety regulations
Throughout the Group, there have been no court judgments or warnings against Geberit involving contraventions of regulations on the health and safety of products and services or product and service information.

13.2 Product and Service Labeling (PR)

Management Approach – Product and Service Labeling
Corporate Marketing is responsible for the labeling of products and services.

Conveying product and application information in accordance with standards and target groups is one of the main tasks of the Technical Documentation, a department of Group Marketing at Geberit. A comprehensive portfolio of various document types and publication channels is available for this purpose. In the area of assembly and installation, Geberit focuses on multicultural and generally understandable images comprising detailed illustrations and guiding symbols. On top of this, more far-reaching fundamental information is provided for the architect and engineer target groups via comprehensive handbooks and skills brochures. In addition, product and/or safety data sheets are available for each product and for all target groups.

The end user target group is becoming more and more important in the conveying of product information, as Geberit is offering this target group increasingly modern and innovative products. Geberit ensures safe handling and labeling in accordance with standards by means of detailed operating documentation based on the prevailing standards and laws.

At the forefront are around 500 technical advisors working in field service at the local sales companies. Training is another important instrument in retaining customers. During the reporting year, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 information centers in Europe and overseas. Additionally, external events provide a special setting for training courses offered in cooperation with partners. Once again around 70,000 customers became more familiar with Geberit know-how and products in this way in 2014. in order for these customer events and training courses to be successful, it is not just the content that has to be constantly updated. In addition to the traditional focus on those in the trade, an increasing orientation towards end users requires the information to be tailored as specifically as possible to the different requirements of the target groups.

G4-PR3 Product labeling

Products involving the use of electricity, gas or dangerous substances – or those containing such substances – need to be appropriately labeled in accordance with the prevailing standards and laws. This includes providing information about the target group and its qualifications as well as the intended use and the existence of substances subject to labeling requirements. The distributor must publish this information in a national language of the target market in accordance with the prevailing laws and regulations. Whenever possible, plastic components must feature material labeling in order to facilitate recycling.

In 2013, the European Commission formally agreed upon the criteria for an ecolabel aimed at reducing water consumption in European toilets. This label will be awarded to toilets that – in addition to fulfilling other requirements – use a maximum of five liters per toilet flush and therefore contribute to significantly reducing the average water consumption per toilet flush. The → **WELL Label (Water Efficiency Label)** introduced in 2011 by the European umbrella organization for valve manufacturers (EUnited) already provides incentives for exceeding these requirements. Of the nine Geberit product groups already certified, eight are represented in the A class and one in the B class. These product groups account for over 20% of Group sales. This water-efficiency label has been added to packaging and specified in the catalogs since 2013.

G4-PR4 Non-compliance with labeling requirements

In the reporting period, there were no known cases of violation of applicable laws or voluntary codes.

G4-PR5 Customer satisfaction

The Geberit concealed cistern celebrated its 50th anniversary in 2014. With 60 million cisterns sold to date, the plumbers, technical planners and wholesalers turned the innovation that Geberit introduced on the market in 1964 into a real success story. A whole series of events was held to mark the event. The highlight was the five gala evenings in Duisburg and Stuttgart (DE), Bern (CH), Birmingham (UK) and Amsterdam (NL) to which Geberit invited its most important customers and partners, which included an outstanding meal and a creative stage show. A total of 3,800 guests attended. The gala evenings with their exceptional show elements were also a milestone for Geberit in terms of customer events. At the same time, they provided a dignified setting for Geberit to thank many customers for their years of loyalty.

A high degree of customer satisfaction in the regional markets is central to Geberit's success. The AquaClean advertising campaign in a total of eleven markets was continued in 2014, including the systematic expansion of the marketing principles. These are also based on brand tracking studies for end users carried out in all eleven campaign markets in 2013. In addition to sociodemographic data, the studies also provided information on the respective awareness of the shower toilet product category, attitude and behavioral parameters, and also the perception of the Geberit AquaClean brand and the most important competitors. In all affected markets, the awareness of the product category and the perception of the Geberit AquaClean brand in particular have significantly increased since the start of the campaign – and the upward trend shows no signs of abating. The study reflects the success of market cultivation and the campaign in the individual markets. The intensive branding is thus proving a significant success factor for company growth.

In recent years, Geberit has built up a standardized Customer Relationship Management (CRM) process for all markets with the aim of further boosting customer satisfaction. Thanks to this system, which is specially tailored to Geberit, customers benefit from more targeted communication with the relevant contact persons. Since 2014, the CRM system has been gradually migrated to a new technological platform to enable a deeper integration into daily business processes.

For further information, see → **Business Report > Business and financial review > Customers**.

13.3 Compliance Product Responsibility (PR)

Management Approach – Compliance – Product Responsibility

See → **Management approach customer health and safety** and → **chapter Society**.

G4-PR9 Sanctions due to non-compliance with product liability regulations

No sanctions have been imposed in connection with Geberit products and services or their use.

14. Suppliers (SU)

14.1 Description of the organization's supply chain

Corporate Purchasing (CPU) is responsible for the procurement in all production plants worldwide (except the USA) and manages the procurement organization through a team of lead buyers who are strategically responsible for various material groups. Operational purchasing is based locally at the plants.

The Geberit Group largely purchases raw materials (approx. 35% of the procurement volume) and semi-finished products (approx. 40%) with a high share of raw materials. In so doing, material costs represent a relatively low share of Geberit sales.

The raw materials and semi-finished products primarily come from suppliers in Western Europe (86% of procurement value). The share of the procurement volume from Asia amounts to 9% and that from Eastern Europe and the USA 2.5% each. Owing to the "upstream" purchasing in the supply chain and high level of in-house production as well as the very high share of Western European suppliers, the general risk profile of the supply chain is relatively low. The active pursuit of a "dual source strategy" – i.e. the procurement of a resource from two providers – serves additionally to reduce dependencies.

Geberit procured raw materials (31%), semi-finished products (45%) and finished products (24%) with a procurement value of CHF 646.0 million from over 1,200 suppliers across the world in 2014.

14.2 Management Approach – supplier assessment using sustainability criteria

Geberit's business partners and suppliers are obligated to maintain comprehensive standards. The basis for the cooperation is the → **Code of Conduct for suppliers**. This Code is aligned with the principles of the UN Global Compact and is binding for every new supplier. The Code comprises specific guidelines on quality and meeting environmental, labor law and social requirements and sets out compliance with human rights. Upon request by Geberit, the supplier must prepare corresponding records in order to demonstrate compliance with the standards of the Code and make these available at any time. Should the supplier fail to comply with the regulations set out in this Code, then corrective measures are taken wherever possible. Failure to comply on the part of the supplier is regarded as a serious obstacle to the continuation of the business relationship. If the supplier does not correct this non-compliance, Geberit can terminate the cooperation.

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardized processes and according to the same criteria: company as a whole, quality and sustainability, price, procurement chain and delivery reliability, production and technology. As a rule, the selection of suppliers is required to include a quality audit covering clarification on environmental and occupational safety issues. Where an audit reveals inconsistencies in these criteria, an additional, in-depth audit is conducted.

Supplier management has integrated a risk management approach that is based on the division of suppliers into risk classes – depending on the production location (country) and type of production process. Owing to the high share of procurement from Western Europe, the risk in Geberit's supply chain is relatively low. In the reporting year, 39 companies were identified in the highest risk category. This is equivalent to less than 5% of the entire procurement value. Within this risk class, the audit focus is placed on independent suppliers such as those which are not part of a larger company with recognized sustainability management. The systematic planning and performance of audits is conducted for these suppliers, generally every three years. To ensure neutrality and the expertise required for the audits, Geberit also works with an external partner. In China, the carrying out of audits by independent experts has proven effective. Performing such audits makes an important contribution to enhancing credibility in supplier management. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation.

14.3 Percentage of new suppliers that were screened using sustainability criteria

All new suppliers undertake to comply with the Code of Conduct and hence also to international standards governing environmental protection, labor practices and human rights.

14.4 Sustainability-related impacts in the supply chain

As of the end of 2014, 728 suppliers had signed the Code of Conduct (previous year 701). This equates to over 95% of the total procurement value. Among the top 200 suppliers, the share of companies that have signed is 98.3%.

For audits in China, Geberit cooperated with SGS in 2014. Thanks to re-audits, it was possible to prove that shortcomings revealed in the previous year had been remedied by the three suppliers affected. Four further audits conducted in China concluded that standards governing occupational safety and environmental protection were complied with. However, a shortcoming due to inadequate remuneration was uncovered in one case and corrective measures were imposed.

Only in a few justified exceptional cases are there plans to impose complete regulations on the second tier and third tier in the supply chain by getting them to sign a Code of Conduct, as this would result in a disproportionately high level of additional administration with little added benefit. Geberit pursues a pragmatic yet effective approach. When auditing suppliers in the highest risk category, an analysis of the most important suppliers is included in the risk analysis and the audit investigations on site. At the end of the day, Geberit's goal is modern supplier management, where the relationship with the supplier is actively managed and sustainability risks in the supply chain are jointly analyzed.

Key figures environment

Environmental impact

Environmental impact	2013 UBP	2014 UBP	Deviation %
Electricity	52,256	51,994	-0.5
Combustibles	5,264	5,464	3.8
Fuels	6,218	6,147	-1.1
Disposal	4,303	3,294	-23.4
Solvents	828	866	4.6
Water and waste water	523	507	-3.1
Total environmental impact	**69,392**	**68,272**	**-1.6**

UBP = Ecopoints in accordance with the Swiss Ecological Scarcity Method (2006 version)

Material usage

Material usage	2013 Metric tons	2014 Metric tons	Deviation %
Raw material plastics	57,362	61,014	6.4
Raw material metal	48,735	52,276	7.3
Other raw materials	625	609	-2.5
Semi-finished products	30,565	36,501	19.4
Finished products	46,146	47,829	3.6
Total material usage	**183,433**	**198,229**	**8.1**

Energy consumption

Energy consumption	Unit	2013	2014	Deviation %
Electricity	GWh	111.7	113.7	1.8
Heating oil extra light	Metric tons	13.9	9.0	-35.3
Natural Gas	m^3	3,950,408	3,463,869	-12.3
Biogas	m^3	994,997	826,781	-16.9
Diesel for power generation	Liter	–	240,549	–
Gasoline	Liter	187,303	172,383	-8.0
Diesel	Liter	1,631,305	1,631,889	0.0

Energy consumption	2013 TJ	2014 TJ	Deviation %
Electricity	402.1	409.2	1.8
Heating oil extra light	0.6	0.4	-35.3
Natural Gas	143.8	126.1	-12.3
Biogas	38.3	31.8	-16.9
Diesel for power generation	–	8.6	–
Fuels (Gasoline, Diesel)	65.6	65.0	-0.8
Total energy consumption	**650.4**	**641.1**	**-1.4**

Electricity mix

Electricity mix 2014	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	78.8	16.0	45.2	35.6	3.2
USA	6.8	8.8	70.0	19.6	1.6
China	4.4	16.1	81.8	2.1	–
India	0.3	16.3	80.1	1.8	1.2
Green electricity	23.4	100.0	–	–	–
Total electricity mix	**113.7**	**37.4**	**44.2**	**29.5**	**2.6**

Electricity mix 2013	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	79.3	16.0	45.2	35.6	3.2
USA	6.6	8.8	70.0	19.6	1.6
China	4.8	16.1	81.8	2.1	–
Green electricity	21.0	100.0	–	–	–
Total electricity mix	**111.7**	**31.4**	**39.7**	**26.5**	**2.4**

Water and waste water

Water and waste water	2013 m^3	2014 m^3	Deviation %
Fresh water	131,938	131,289	-0.5
Rain water	6,796	6,867	1.0
Waste water	116,719	112,521	-3.6

Emissions

Absolute CO_2 emissions	2013 Metric tons	2014 Metric tons	Deviation %
from combustibles	10,158	9,797	-3.6
from fuels	7,096	7,036	-0.8
from electricity	52,655	52,397	-0.5
Total absolute CO_2 emissions	**69,909**	**69,230**	**-1.0**

Relative CO_2 emissions	2013 g CO_2 / CHF	2014 g CO_2 / CHF	Deviation %
from combustibles	4.4	4.0	-9.4
from fuels	3.1	2.9	-6.8
from electricity	23.0	21.5	-6.5
Total relative CO_2 emissions	**30.5**	**28.4**	**-6.9**

CO_2 emissions in relation to sales in CHF, currency adjusted

Air emissions		2013 Kilogram	2014 Kilogram	Deviation %
NO_x	direct	19,745	22,372	13.3
	indirect	95,635	93,909	-1.8
	Total NO_x	**115,380**	**116,281**	**0.8**
SO_2	direct	1,419	1,461	3.0
	indirect	200,403	196,667	-1.9
	Total SO_2	**201,822**	**198,128**	**-1.8**
NMVOC	direct	46,222	48,952	5.9
	indirect	9,321	9,273	-0.5
	Total NMVOC	**55,543**	**58,225**	**4.8**
Dust (PM10)	direct	394	474	20.3
	indirect	17,364	17,005	-2.1
	Total dust	**17,758**	**17,479**	**-1.6**
CFC11 equivalents	direct	1.2	0.4	-66.7
	indirect	2.0	2.0	0.0
	Total CFC11 equivalents	**3.2**	**2.4**	**-25.0**

Waste

Waste	2013 Metric tons	2014 Metric tons	Deviation %
to incineration	671	635	-5.4
to inert waste landfill	394	396	0.5
to mixed waste landfill	628	428	-31.8
to external recycling	9,200	9,361	1.8
to hazardous waste incineration	269	262	-2.6
to hazardous waste recycling	956	505	-47.2
Total waste	**12,118**	**11,587**	**-4.4**

Key figures employees and society

Workforce

Workforce as of December 31	2013	Share %	2014	Share %
Germany	2,423	39.0	2,413	39.0
Switzerland	1,255	20.0	1,262	20.0
China	718	11.0	688	11.0
Austria	503	8.0	507	8.0
USA	227	4.0	237	4.0
Slovenia	248	4.0	259	4.0
Italy	113	2.0	118	2.0
Others	739	12.0	763	12.0
Total	**6,226**	**100**	**6,247**	**100**
Production	3,364	54.0	3,380	54.1
Marketing and sales	1,843	29.6	1,841	29.5
Administration	563	9.0	559	8.9
Research and development	222	3.6	235	3.8
Apprentices	234	3.8	232	3.7
Total	**6,226**	**100**	**6,247**	**100**
Permanent	4,865	78.0	5,067	81.0
Temporary	1,361	22.0	1,180	19.0
Total	**6,226**	**100**	**6,247**	**100**
Full-time	5,924	95.0	5,926	95.0
Part-time	302	5.0	321	5.0
Total	**6,226**	**100**	**6,247**	**100**
Management	155	2.5	159	2.5
Employees	6,071	97.5	6,088	97.5
Total	**6,226**	**100**	**6,247**	**100**

Information in full-time equivalents

Diversity

Diversity as of December 31, 2014		Management %	Employees %	Total %
Proportion of female employees		6.9	31	31
Age structure	> 45 years	69	38	39
	30 - 45 years	31	41	40
	< 30 years	0	21	21

Diversity as of December 31, 2013		Management %	Employees %	Total %
Proportion of female employees		6.5	31	30
Age structure	> 45 years	66	40	40
	30 - 45 years	34	40	40
	< 30 years	0	20	20

Fluctuation

Fluctuation excl. attrition		2013	Rate %	2014	Rate %
Fluctuation	> 45 years			74	3.3
	30 - 45 years			122	6.0
	< 30 years			62	8.8
Gender	Male			181	5.0
	Female			77	5.6
Region	Germany			24	1.2
	Switzerland			91	7.8
	China			13	7.4
	Austria			19	4.0
	USA			25	11.5
	Slovenia			0	0.0
	Italy			4	3.7
	Others			82	12.2
Total fluctuation excl. attrition		**198**	**4.1**	**258**	**5.2**

Fluctuation incl. attrition		2013	Rate %	2014	Rate %
Age group	> 45 years	117	5.3	140	6.2
	30 - 45 years	94	4.5	123	6.1
	< 30 years	55	7.8	63	8.9
Gender	Male	177	5.0	232	6.4
	Female	89	6.1	94	6.8
Region	Germany	45	2.3	59	3.0
	Switzerland	104	8.6	111	9.6
	China	20	13.5	17	9.7
	Austria	16	3.2	22	4.7
	USA	15	6.7	26	11.9
	Slovenia	1	0.5	3	1.4
	Italy	1	1.0	4	3.7
	Others	64	10.1	84	12.5
Total fluctuation incl. attrition		**266**	**5.5**	**326**	**6.5**

Information in headcounts
attrition includes retirements

Training and education

Training and education	Hours per employee	2013	2014	Deviation %
Women		–	11.4	–
Men		–	17.6	–
Management		–	28.0	–
Other employees		–	15.3	–
Total training and education		**16.7**	**15.6**	**-6.6**

Personnel expenses

Personnel expenses	2013 MCHF	2014 MCHF	Deviation %
Wages and salaries	357.9	366.1	2.3
Pension contributions	25.4	23.7	-6.7
Other social benefits	62.2	63.5	2.1
Other personnel expenses	29.9	30.6	2.3
Total personnel expenses	**475.4**	**483.9**	**1.8**

Social engagement

Social engagement	Unit	2013	2014	Deviation %
Donations and contributions	MCHF	3.1	3.3	6.5
orders to social institutions	MCHF	4.4	5.5	25.0
Charitable work	Hours	1,340	2,770	107

Health and Safety

Health and Safety	2013	2014	Deviation %
Number of occupational accidents	109	103	-5.5
Accident frequency rate (AFR)	10.2	9.6	-5.9
Lost days due to occupational accidents	1,325	1,405	6.0
Accident severity rate (ASR)	124.3	130.5	5.0

Accident frequency rate (AFR) = Number of occupational accidents per performed total working hours times 1 million hours
Accident severity rate (ASR) = Number of lost working days due to accidents per performed total working hours times 1 million hours

Absenteeism rate per region 2014	Illness %	Accident %	Total %
Europe	4.54	0.11	4.65
Asia	0.93	0.06	0.99
USA	1.99	0.00	1.99
Others	0.61	0.07	0.68
Total absenteeism rate	**3.75**	**0.10**	**3.85**

Absenteeism rate per region 2013	Illness %	Accident %	Total %
Europe	4.84	0.12	4.96
Asia	1.12	0.01	1.13
USA	1.84	0.00	1.84
Others	0.64	0.00	0.64
Total absenteeism rate	**4.00**	**0.10**	**4.10**

Imprint

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Movies:
Ben Huggler (Interview Rainer Prügl), Seed (50 years Geberit concealed cistern), Simon Straetker (Social project Geberit, Varanasi), Till Gmür (Interview Rainer Prügl)

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This annual report is published in German and English as an online version.
The online German version is binding.